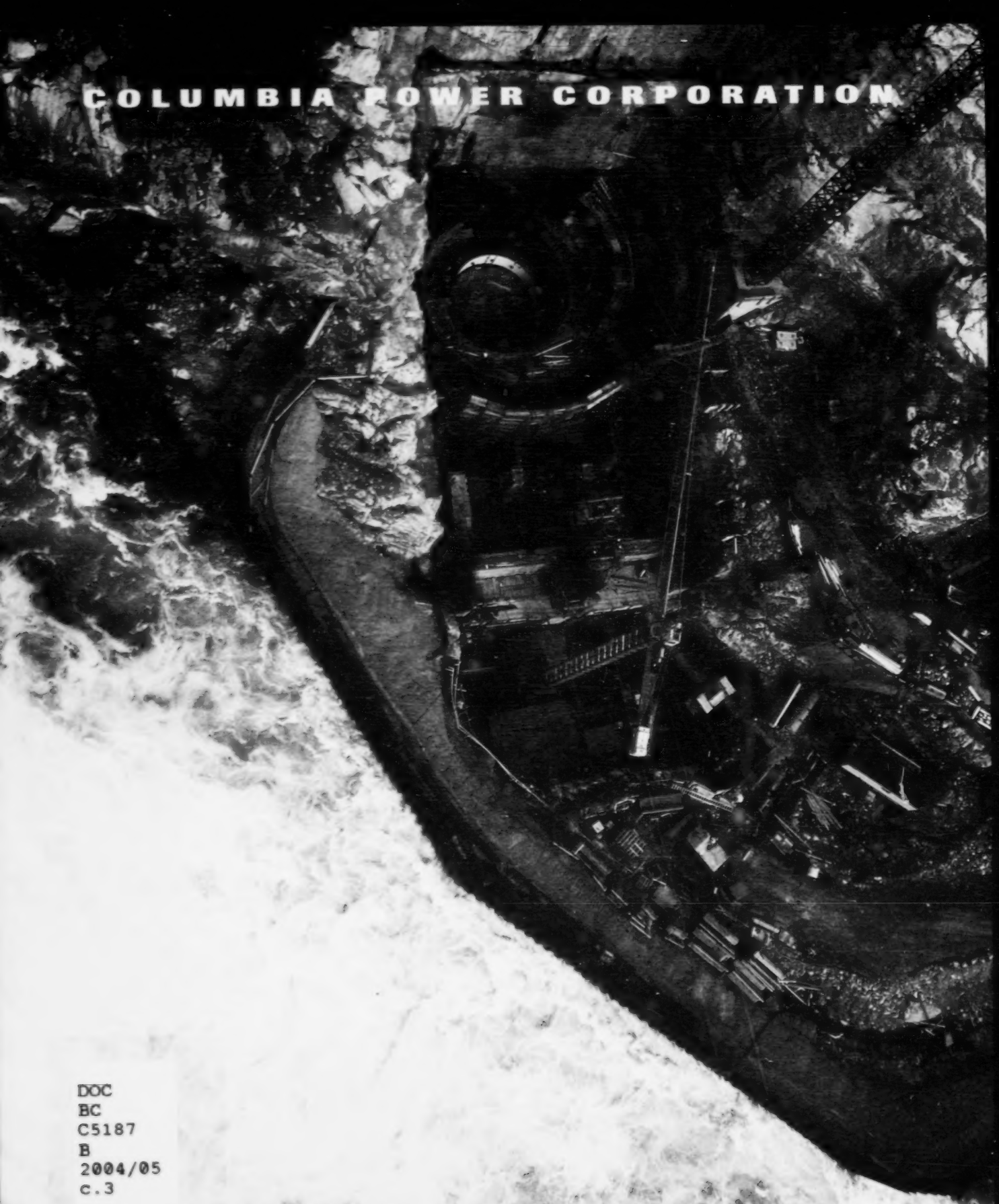
COLUMBIA POWER CORPORATION



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Cover photo: Construction
of Brilliant Expansion
Castlegar, British Columbia

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COLUMBIA POWER CORPORATION

ANNUAL REPORT • 2004/05

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Message from the Chair

The past year has been an eventful and challenging one for Columbia Power Corporation, with significant activity taking place at each of our projects as they advance through the planning, construction and operation stages.

The Brilliant Expansion is now more than two years into construction. This 120-megawatt powerplant is scheduled to begin commercial operation in August 2006, and we expect the project will be completed on schedule and on budget. Forty percent of the power has been sold to BC Hydro for 20 years, as a component of its "green power" portfolio. Marketing efforts for the remainder of the power are progressing in domestic and U.S. markets.

The Environmental Assessment Certificate Application for the Waneta Expansion is being finalized in preparation for its submission to review agencies. Engineering, environmental and financial studies are ongoing in order to optimize the size and configuration of the project. The start of construction is planned for 2007, subject to a final decision being made earlier in that same year to proceed with the project.

Construction of the Arrow Lakes Generating Station began in 1999, and commercial operation was achieved in 2002. On May 3, 2004, the corporation discovered damage to the concrete lining of the approach channel caused by unstable hydraulic conditions. Power generation was suspended while emergency repairs were performed in order to maintain the structural integrity of the channel and the adjoining structures. Interim repairs were then made to allow power generation to resume safely in August 2004. Plans are being made to carry out permanent repairs to the approach channel in 2006.

The Brilliant dam and powerhouse continued to perform at a high level, with earnings from these assets maintaining their upward trend. Columbia Power Corporation has carried out a major capital program at this project, including the recent construction of the Brilliant terminal station. During the year, $50 million of Brilliant Series C project bonds were successfully issued to refinance capital expenditures at Brilliant.

In September 2004, BC Hydro announced it had given approval in principle to the purchase of the shares of Columbia Power Corporation and our joint venture partner, CBT Energy subject to satisfactory completion of due diligence. However, in response to input received in community meetings, the Columbia Basin Trust decided it would not sell the shares of its subsidiary, CBT Energy. Subsequently the Province directed, in January 2005, that the existing structure for the Columbia Basin Initiative be continued, with the mandates of Columbia Power Corporation and the Columbia Basin Trust remaining unchanged and Columbia Power Corporation continuing, as manager of the joint ventures, to develop, construct and operate power projects.

During the year, our work tracked the goals set out in our Service Plan. Although we were largely successful in meeting our objectives, the corporation's income fell short of our target for the year by $0.5 million, primarily due to provisions for losses resulting from the Arrow Lakes channel damage and the write-down of current and prior year expenditures related to restructuring of the Columbia Basin Initiative. The goals of Columbia Power Corporation for 2005/06 include: securing a satisfactory power sales agreement for the balance of the output from the Brilliant Expansion; completing the review process for an Environmental Assessment Certificate for the Waneta Expansion; starting permanent repairs to the Arrow Lakes approach channel; and completing construction of the Brilliant Expansion on budget and on schedule.

The 2004/05 Columbia Power Corporation Annual Report was prepared under my direction in accordance with the Budget Transparency and Accountability Act. I am accountable for the contents of the report, including the selection of performance measures and how the results have been reported. The information presented reflects the actual performance of Columbia Power Corporation for the 12 months ended March 31, 2005. All significant decisions, events and identified risks, as of May 20, 2005, have been considered in preparing the report. The information presented is prepared in accordance with BC Reporting Principles and represents a comprehensive picture of our actual performance in relation to our Service Plan.

I wish to thank the staff of Columbia Power Corporation for their continuing hard work and dedication during the past year.

Lee Doney
Board Chair

Arrow Lakes Generating Station

Organizational Overview

Introduction

Columbia Power Corporation is a Crown corporation wholly owned and controlled by the Province of British Columbia, existing under the Business Corporations Act and reporting to the Minister of Energy and Mines. Its mission is to efficiently develop and operate commercially viable, environmentally sound and safe power project investments for the benefit of the Province and the residents of the Columbia Basin. In making power project investments, the corporation's goal is to support the employment, economic development and resource management objectives of the Province and the Columbia Basin Trust, within the constraints of a commercial enterprise.

Columbia Power Corporation undertakes power projects through joint ventures with subsidiaries of the Columbia Basin Trust. The corporation is the manager of the joint ventures. Columbia Power Corporation is a small organization, with fewer than 40 full-time equivalent positions, located in Castlegar and Victoria. The corporation focuses on asset management activities while engaging other firms to provide construction, plant operation and specialist consulting services. Through its joint ventures, Columbia Power Corporation is one of the largest producers of electricity in British Columbia.

The core projects of Columbia Power Corporation and the Columbia Basin Trust are the Arrow Lakes Generating Station, the Brilliant Expansion and the Waneta Expansion, all of which are located in the Columbia Basin. The joint venturers may also undertake other power generation, transmission or distribution projects in the Columbia Basin. The purchase of the Brilliant dam in 1996 was the first investment by the joint venturers. Construction of the Arrow Lakes Generating Station began in 1999 and start-up was achieved in 2002. Construction of the Brilliant Expansion began in 2003, with start-up scheduled for 2006. Environmental approval is being sought for the Waneta Expansion. All of the power generated at the current operating projects is committed under long-term sales contracts to two utilities, FortisBC and BC Hydro. A long-term contract with BC Hydro is also in place for the sale of a portion of the output of the Brilliant Expansion upon project completion.

Historic Context

In 1964, Canada and the United States ratified the Columbia River Treaty. Under the Treaty, Canada, through the Province, agreed to build three new storage dams in the Canadian section of the Columbia River: Duncan (1968), Keenleyside (1969) and Mica (1973). The purpose of the new dams was to create 15.5 million acre feet of water storage which would control flooding in Washington and Oregon and allow hydroelectric facilities in these states to produce 2,400 megawatts of additional electricity capacity (BC Hydro has about 10,000 megawatts of capacity). This additional power is referred to as the downstream benefits. In exchange, the Province received $64.4 million plus one-half the downstream benefits, which it sold to a consortium of U.S. utilities for a period of 30 years from the completion dates of the three Canadian dams.

The construction of the three Treaty dams brought current and future financial benefits to the Province, but also significant economic, environmental and social costs to the residents of the Columbia Basin, both at the time and on an ongoing basis. Twenty-three hundred residents were displaced, communities were lost, lands were expropriated and properties were flooded. There continue to be ongoing negative environmental effects from reservoir and river-flow fluctuations.

In 1995, the Province, through legislation and contractual arrangements, created a unique model in recognition of the costs borne by the Columbia Basin as a result of the Treaty dams. Through the Columbia Basin Initiative, it was agreed to allocate a share (about 8%) of the value of future downstream benefits sales to the region. The mechanisms of the Columbia Basin Initiative were the *Columbia Basin Trust Act*, which created the Columbia Basin Trust, and the 1995 Financial Agreement between the Province and the Columbia Basin Trust, which set out the terms for the regional funding allocation.

Under the 1995 Financial Agreement, the Columbia Basin Trust and Columbia Power Corporation received $250 million each over 10 years to provide equity for qualifying power project developments in the region. Three core projects were designated: Keenleyside (subsequently renamed as Arrow Lakes Generating Station), Brilliant Expansion and Waneta Expansion. The Brilliant Expansion and Waneta Expansion involve development rights purchased by Columbia Power Corporation in 1994 from Cominco Ltd., now Teck Cominco Metals Ltd. Other generation, distribution and transmission projects can be carried out by Columbia Power Corporation and the Columbia Basin Trust, provided both parties agree and the projects meet the same commercial and other tests as the core projects. In 1996, Columbia Power Corporation and the Columbia Basin Trust purchased the Brilliant dam and powerplant from Teck Cominco Metals Ltd. and subsequently carried out a substantial sustaining capital and upgrade program. Returns from Columbia Power Corporation's 50% share of the power projects are available to be distributed to the Province. Returns from the Columbia Basin Trust's 50% share of the power projects are available to be used by the Columbia Basin Trust to provide benefits to the people of the region in accordance with the *Columbia Basin Trust Act*.

Artist's rendition of Waneta dam and proposed Waneta Expansion

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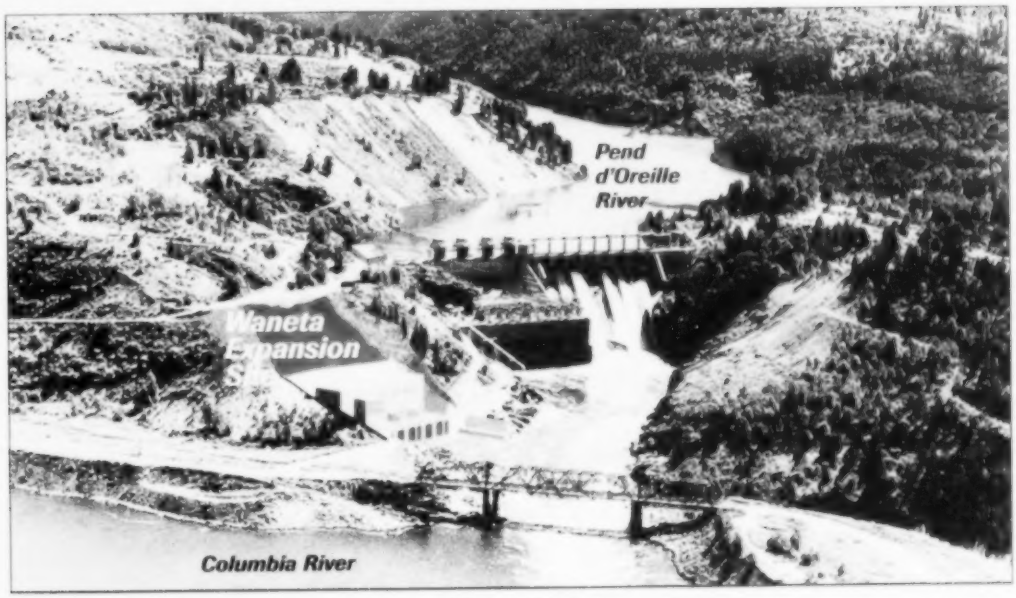


Artist's rendition of Waneta dam and proposed Waneta Expansion

Mandate, Vision and Values

In January 2005, the Province confirmed the mandates of Columbia Power Corporation and the Columbia Basin Trust. Columbia Power Corporation is to continue, as manager of the joint ventures with the Trust, to develop, construct and operate power projects. The Columbia Basin Trust is to continue to invest and deliver economic, social and environmental benefits to Columbia Basin residents. The mandate, vision and values of Columbia Power Corporation are presented below.

Mandate

- Develop core hydroelectric projects and other qualifying generation, transmission and distribution projects in the Columbia Basin.
- Earn an acceptable rate of return given the risks.
- Finance power projects using the government's equity contributions, retained earnings and limited-recourse project debt, without government debt guarantees.
- Promote employment, economic development and new industry through environmentally sound, cost-competitive power project investment.

Vision

To be a respected, continually improving company that maximizes shareholder value by developing and operating power projects in a socially and environmentally responsible manner, achieving the development objectives of the Province and the Columbia Basin.

Values

- Efficiency in the use of scarce resources.
- Good value for money for the Province and the Columbia Basin.
- Socially responsible decision-making, to the extent possible guided by the market.
- Proactive and economically responsible environmental management.
- Respectful employment practices.

Business Model

The business of Columbia Power Corporation is to plan, develop and operate commercially viable, environmentally sound and safe power projects in the Columbia Basin, with the first priority being the core projects identified in 1995, the Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion. In carrying out its business, Columbia Power Corporation relies to a great extent on the private sector. The planning, design, financing, construction, operation and power sales functions involve private sector firms wholly or in part. Columbia Power Corporation follows a public-private-partnership (P3) model for the design, procurement and operation of the joint venture power projects. This allows Columbia Power Corporation to properly allocate and manage risks and realize innovation and efficiency through competition. The model has five distinct components: design, evaluation, construction (build), operation and management of power assets.

Design

The design component involves the assessment of over-all financial, economic and environmental feasibility. This includes basic engineering design, capital cost estimates, market price forecasts, stakeholder consultations, regulatory submissions and solicitation of contractor interest. It concludes with an initial go/no-go decision based on critical criteria. This component is largely carried out by Columbia Power Corporation with its consultants.

Evaluate

In this component, all the information obtained in the design component, including fixed-price design-build bids, is assessed, along with power sales agreements and environmental permits, to determine if a project can proceed and if a design-build contract can and should be executed. Columbia Power Corporation, on behalf of the Joint Venture, is responsible for this evaluation and due diligence.

Build

With the signing of a design-build contract many responsibilities are transferred to the contractor. Columbia Power Corporation, however, engages an "Owner's Consultant" to ensure compliance with contract terms, including monitoring of quality control and environmental permit requirements.

Operate

Once a project has been completed and commissioned, operations and power sales begin, making sure all deficiencies are resolved and the facility is "fit for purpose". Columbia Power Corporation has in-house engineers knowledgeable in plant operations and maintenance but has chosen, for cost and efficiency purposes, to engage a contractor to operate and maintain the joint venture's plants, with oversight by the corporation. The contractor is responsible for a number of activities, including compliance with dam safety and environmental requirements.

Manage

Columbia Power Corporation is the manager for the Joint Venture and is responsible for all activities in the business model components. This includes negotiating and administering agreements, raising financing, paying lenders, paying taxes, complying with approvals, employing qualified staff and advisors and above all, serving the public interest.

The Columbia Power Corporation business model is shown in Figure 1.

Figure 1. Columbia Power Corporation (CPC) Business Model

Business Components	Design	Evaluate
Responsibility	CPC	CPC
Key Activities	• Financial/technical feasibility • Community and First Nations communication • Environmental & other assessments	• Assess competing proposals from contractors • Assess feasibility • Negotiate contracts
Key Products	Initial Plans: • Financial • Marketing • Engineering • Community/First Nations • Environmental • Requests for proposals	Updated Plans: • Financial • Marketing • Engineering • Community/First Nations • Environmental Updated go/no-go decision
Outcomes	• Initial go/no-go decision • Balance achieved between capital and dividend requirements	• Signed contracts • Clear expectations • Risks assessed, allocated
Goals	Value for money/profitability Stakeholder support Environment protected	

Build	Operate	Manage
Contractors	Contractors	CPC
• Oversee construction • Carry out construction • Follow up on commitments • Related sub-projects	• Maintenance • Upgrades • Dispatch	• Financial • Regulatory • Contract administration • Human resources • Joint Venture interface
• Compliance • Studies and reports • Stakeholder communications	• Generation • Power sales	• Budgets • Expenditures • Debt issues • Regulatory compliance
• Projects completed to specifications • Environmental benefits • Construction employment/income	• Efficient, reliable plant operations • Environmental benefits • Cash flow	• Cost-effective operations • Dividends • Shareholder value • Joint Venture value

Risks managed

Motivated, skilled staff

Regulatory compliance

In carrying out its business model, Columbia Power Corporation has two roles:

- It is an owner with a 50% interest in joint venture power projects, each of which is a separate power project corporation, matching the 50% owned by CBT Energy Inc. (a wholly owned subsidiary of the Columbia Basin Trust). These projects are established as separate corporations for the purpose of securing commercial project financing without provincial debt guarantees.
- It is the manager for the joint ventures. The corporate structure of the joint ventures is shown in Figure 2.

Key Relationships

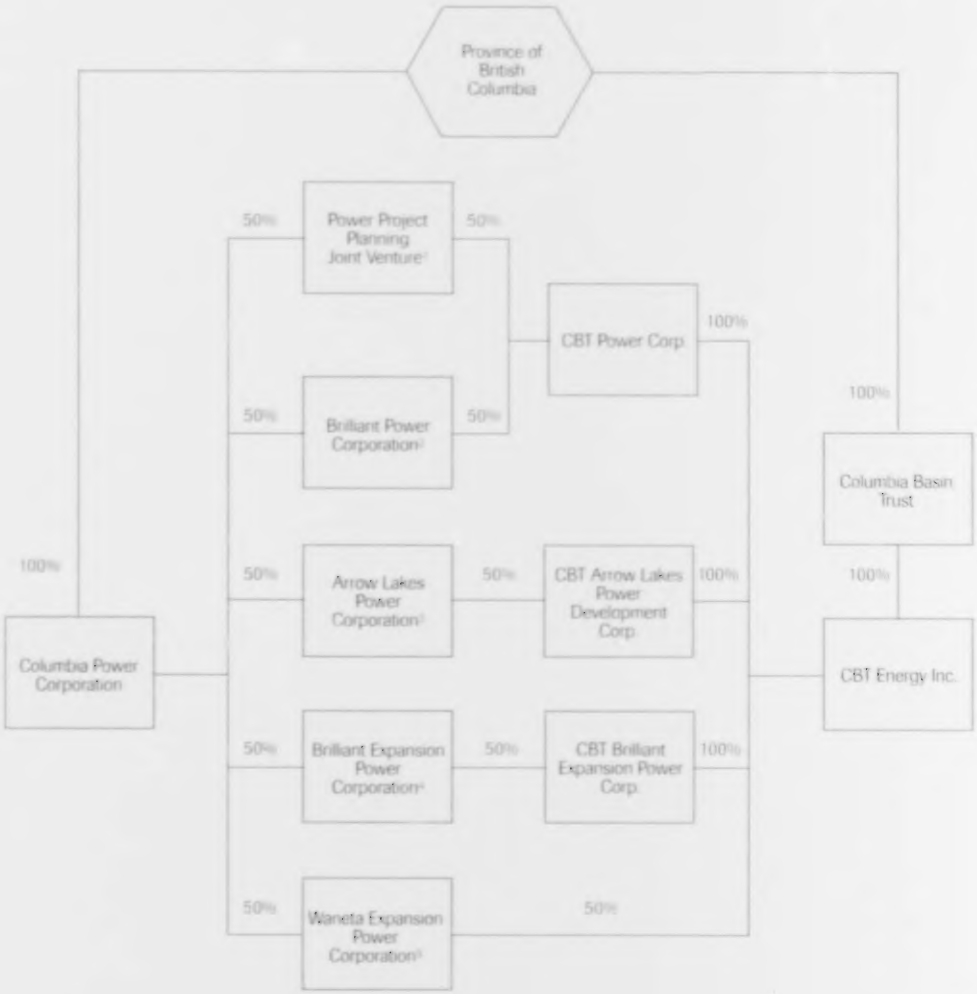
The joint venture power project companies owned by Columbia Power Corporation and CBT Energy are independent power producers that are wholesalers of power, often to regulated utilities. The joint venture currently has a 12-year power sales agreement for the Arrow Lakes Generating Station with BC Hydro (expiring in 2015); a 60-year power sales agreement for the Brilliant powerplant with FortisBC (formerly Aquila Networks Canada) (expiring in 2056); and a 20-year "green power" sales agreement with BC Hydro (coming into effect with the commissioning of the Brilliant Expansion).

The joint venture hydroelectric projects have or will have "entitlement" agreements with BC Hydro. These entitlement agreements provide the projects with predetermined monthly energy and capacity quantities. The entitlement agreements remove hydrology risk from energy generation and make the projects more attractive to investors and lenders. BC Hydro is compensated for providing these entitlements by keeping a small share of the actual annual energy produced. BC Hydro has similar arrangements with FortisBC and Teck Cominco Metals.

The Brilliant Expansion is being constructed by the Brilliant Expansion Consortium, composed of Skanska-Chant and SNC-Lavalin Inc., under the terms of a fixed-price design-build contract.

The Arrow Lakes Generating Station was constructed by Peter Kiewit Sons Co. under the terms of a fixed-price design-build contract. Final Acceptance has not been achieved, pending satisfaction of all contract requirements, including resolution of a number of deficiencies.

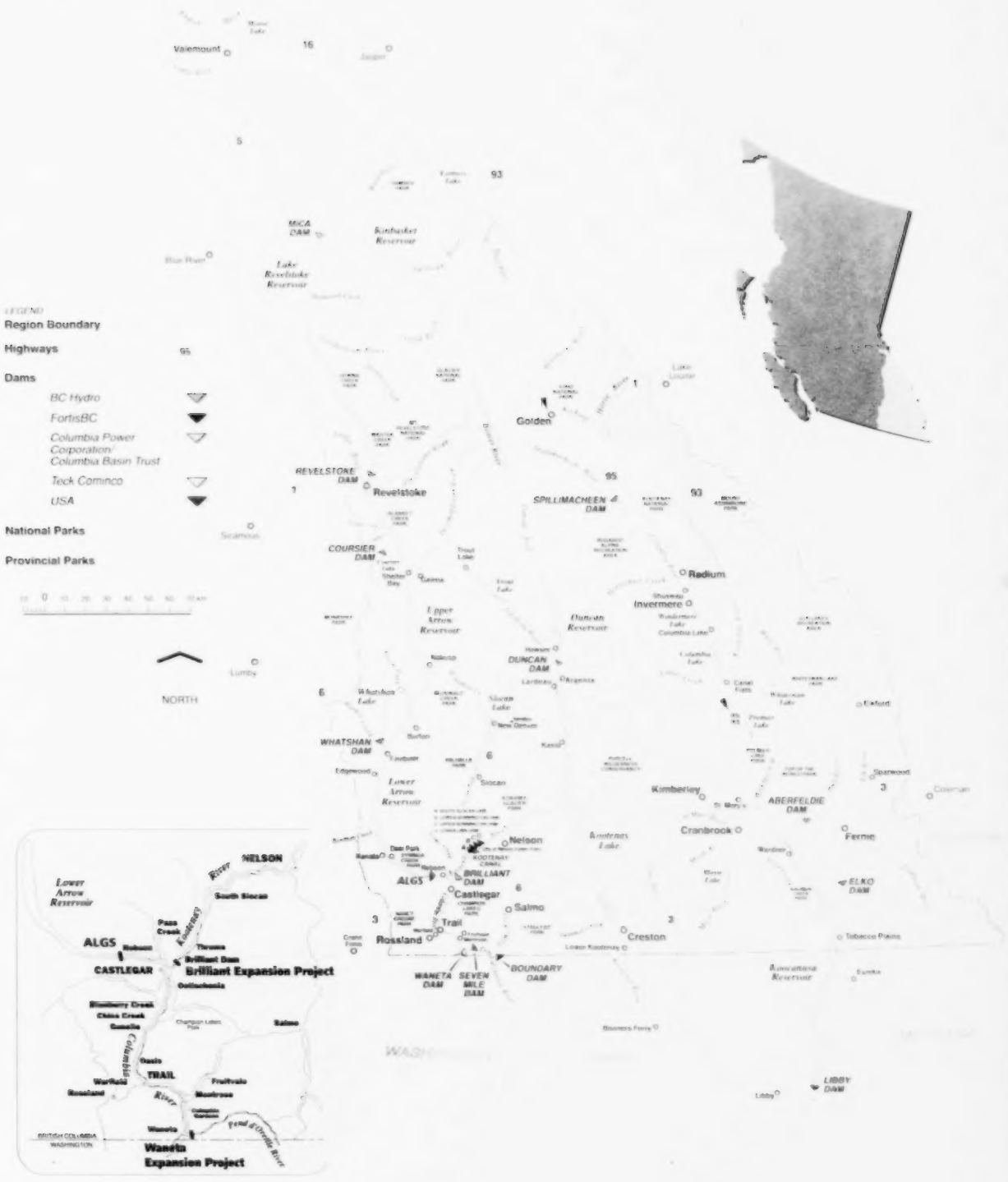
Figure 2. Corporate Structure of the Columbia Power Corporation / Columbia Basin Trust Joint Ventures



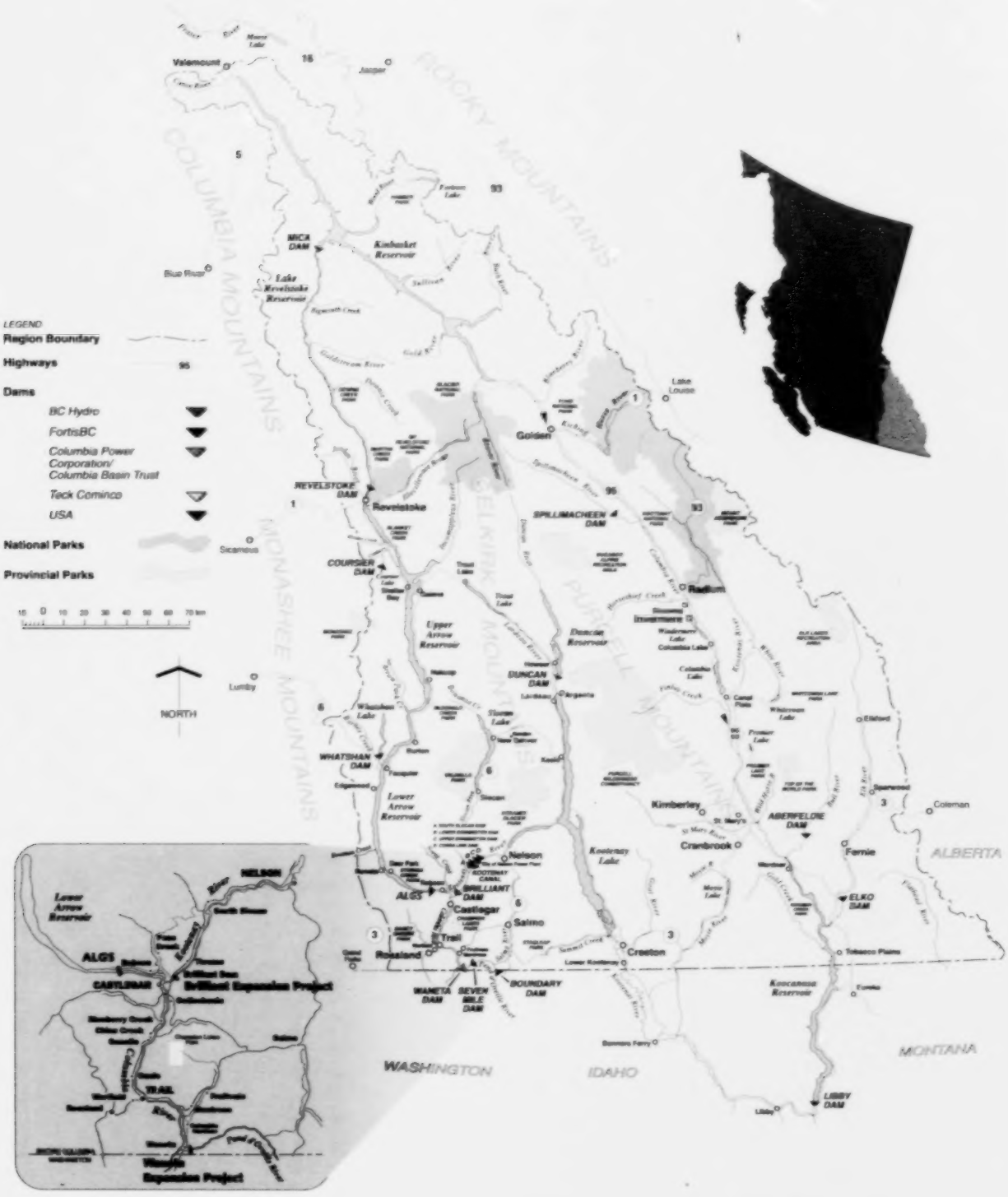
Notes:

1. carries out early stage planning of Power Projects
2. owns Brilliant Plant
3. owns Arrow Lakes Generating Station
4. owns Brilliant Expansion
5. owns Waneta Expansion Rights

Columbia Basin Power Projects



Columbia Basin Power Projects



Review of Power Projects

Through an agreement with the Columbia Basin Trust, the Province provided $50 million a year for 10 years, starting on April 1, 1996, and ending on April 1, 2005, to be used as equity funding for power projects in the Columbia Basin. These funds are shared by Columbia Power Corporation and the Columbia Basin Trust.

Columbia Power Corporation and the Columbia Basin Trust (through its indirect subsidiary, CBT Power Corp.) have formed the Power Project Planning Joint Venture for the purpose of assessing and advancing power projects. The joint venture is owned equally by the two partners, who direct its activities through a management committee composed of three members from each partner. Columbia Power Corporation is the manager of this joint venture. When a decision is made to proceed with construction of a project, the project assets are transferred to a separate, jointly owned corporation. Currently, the Waneta Expansion is the focus of activities of the Power Project Planning Joint Venture, while other projects have been transferred to separate jointly owned companies as set out below.

Arrow Lakes Generating Station

The Arrow Lakes Generating Station is a hydroelectric facility with a capacity of 185 megawatts, located at the Keenleyside dam on the Columbia River and connected by a 48-kilometre, 230-kilovolt transmission line to the BC Hydro power grid at the Selkirk substation. The powerplant is situated 400 metres downstream of the Keenleyside dam and is connected to the Arrow Lakes reservoir by a 1,500-metre intake channel that bypasses the dam. The Arrow Lakes Generating Station and related assets are owned by Arrow Lakes Power Corporation, a company jointly owned, on a 50/50 basis, by Columbia Power Corporation and CBT Arrow Lakes Power Development Corp., an indirect subsidiary of the Columbia Basin Trust. Columbia Power Corporation is the manager of the corporation.

The Keenleyside dam was constructed in the 1960s by BC Hydro under the terms of the Columbia River Treaty. The dam was built to regulate water flows for the purpose of providing downstream flood control and power generation benefits in the United States. Construction of the Arrow Lakes Generating Station allows power generation benefits to be realized in British Columbia by taking advantage of otherwise unutilized waterflows at the dam. Generation of power at the dam also improves fish habitat by reducing dissolved gas pressure levels downstream.

In selecting a contractor for the construction of the powerplant, Columbia Power Corporation established the design-evaluate-build process to ensure the most cost-effective and innovative construction methods were used. Peter Kiewit Sons Co. Ltd. was selected, as the winning bidder, to design and construct the powerplant under a fixed-price contract. The proposal included, as subcontractors, Harza Engineering Ltd. as the principal design engineer and GE Hydro as the turbine and generator supplier.

Construction of the project began in March 1999. The first generating unit achieved start-up status in February 2002, followed by the second unit in May 2002. These milestones were reached on budget and ahead of schedule. The owner assumed responsibility for operation of the generating station on January 1, 2003. Operation and maintenance of the generating station is performed on behalf of the owner by Fortis Pacific Holdings Inc., a corporation related to FortisBC. The power from the Arrow Lakes Generating Station is sold to BC Hydro for 12 years beginning January 1, 2003.

Construction of a new transmission terminal station at the nearby Brilliant powerplant was completed in July 2003. This new facility, owned by Brilliant Power Corporation, allows interconnection between the FortisBC transmission system and the Arrow Lakes transmission line, thereby providing a back-up transmission route for the Arrow Lakes Generating Station and improving electric power reliability in the region. The connection of the new terminal station to the Arrow Lakes transmission line was completed in April 2004.

Construction of the Arrow Lakes Generating Station and transmission line was financed with equity from Columbia Power Corporation and CBT Arrow Lakes Power Development Corp. and interest-bearing advances from Columbia Power Corporation. In August 2003, Arrow Lakes Power Corporation issued $100 million of 5.39% Series A project bonds, maturing March 31, 2015. The bonds are rated A(high) by Dominion Bond Rating Services. The proceeds of the bond issue were used to refinance construction expenditures and to facilitate a transfer of equity to the Brilliant Expansion project.

Net income for Arrow Lakes Power Corporation for the year ended March 31, 2005 was $5.8 million, compared to $10.4 million in the previous year. The decrease in net income was due to higher interest and water rental expenses, as anticipated, as well as damage to the approach channel at the Arrow Lakes Generating Station, which resulted in a suspension of operations from May to August 2004. Reduced amortization and higher interest earnings partially offset the higher expenses.

The amount of power sold by Arrow Lakes Power Corporation during the year, as determined by the energy entitlement received under the Keenleyside Entitlement Agreement with BC Hydro, was 582,707 megawatt-hours, compared to 726,868 megawatt-hours in the previous year. The reduction was caused primarily by the suspension of operations for channel repairs, and subsequent inspections.

On May 3, 2004, the corporation discovered damage to the concrete lining of the approach channel. This damage was the result of unstable hydraulic conditions that caused portions of the concrete lining to be displaced or cracked. Power generation was suspended while investigations took place and repairs were made to the channel. The repair process has three stages, namely:

(i) immediate temporary repair to stop the ingress of water into the channel underdrainage system;
(ii) intermediate repairs as required to enable the safe resumption of power generation until long-term repairs that may be required to ensure the integrity of the approach channel are undertaken, all subject to the approval of the Comptroller of Water Rights and BC Hydro; and
(iii) additional, long-term repairs as required to ensure the integrity of the approach channel, which would require a further suspension of generation.

The first two stages of repair, which involved placing a high-density polyethelene liner over the damaged area and then covering the liner with a layer of concrete, have been completed, and production of power was resumed in August 2004. Studies are being undertaken to determine what further repairs are needed for long-term operation. It is expected that permanent repairs will be carried out starting in early 2006.

Arrow Lakes Power Corporation is taking all necessary steps, including pursuing its remedies under the design-build contract and its insurance policies, to recover its losses, and is preserving its available sources of working capital to ensure that its obligations to creditors and regulators will be satisfied and that funds are in place as needed to carry out permanent repairs to the channel. Accordingly, payment of dividends by Arrow Lakes Power Corporation was suspended during the year. The total cost of the channel damage to March 31, 2005 was $14.7 million, including lost revenues. As of March 31, 2005, the corporation received advances totaling $6 million from its property insurer toward the settlement of its insurance claim, and has recorded in its financial statements an expected further recovery of $4.8 million. The final financial impact of the channel damage cannot be determined with certainty at this time.

Arrow Lakes Generating Station Operations
Summary Information
($ in thousands unless otherwise stated)

	2004/05	2003/04	2002/03	2001/02
Sales Revenue	$ 21,974	$ 26,597	$ 61,990	$ 1,005
Interest Revenue	1,485	1,945	-	-
Power Sales Revenue Sharing	-	-	29,779	336
Operating Expenses	3,543	3,255	2,338	51
Taxes and Water Rentals	3,512	3,009	812	45
Interest Expense	5,097	3,197	474	108
Amortization	8,478	8,653	5,764	77
Net Income Before Channel Repairs	2,829	10,428	22,823	388
Channel Repair Costs	7,853	-	-	-
Recovery of Repair Costs and Losses	10,778	-	-	-
Net Income	5,754	10,428	22,823	388
Equity	227,956	258,847	276,176	232,338
Dividend Payments	-	4,290	-	-
Capital Expenditures	2,446	2,343	20,686	93,592
Long-term Debt	85,658	92,477	-	-
Current Portion of Long-term Debt	6,819	6,466	-	-
Advance from Columbia Power Corporation	$ -	$ -	$ 31,834	$ 61,199
Total Sales (megawatt-hours)	582,707	726,868	663,746	9,651
Average Price ($/megawatt-hour)	37.71	36.59	93.39	104.13
Annual Return on Equity	2.4%	3.9%	9.0%	.2%
Debt Service Coverage Ratio	1.67	-	-	-

Brilliant Dam and Powerplant

The Brilliant dam and powerplant is a power generation facility with a capacity of 145 megawatts, located on the Kootenay River just upstream of the confluence with the Columbia River. The facility, constructed in 1944, was purchased from Cominco Ltd. (now Teck Cominco Metals Ltd.) in 1996. The dam, powerplant and related assets are owned by Brilliant Power Corporation, a company jointly owned, on a 50/50 basis, by Columbia Power Corporation and CBT Power Corp., an indirect subsidiary of the Columbia Basin Trust. Columbia Power Corporation is the manager of the corporation.

The corporation's operations are guided by its obligations under the 60-year Brilliant Power Purchase Agreement with FortisBC (formerly known as Aquila Networks Canada) and agreements with the corporation's bondholders. The facility is operated by FortisBC on behalf of the corporation. The corporation has largely completed a multi-year capital program, including upgrades and life extension work for each of the four generating units.

Net income for Brilliant Power Corporation for the year ended March 31, 2005 was $7.0 million, compared to $6.6 million in the previous year. The increase in income was due primarily to escalation of power sales revenues and to revenue attributable to the newly completed Brilliant Terminal Station. These revenue sources offset higher interest and amortization charges during the year.

The amount of power sold by Brilliant Power Corporation during the year, as determined by the Brilliant energy entitlement received under the Canal Plant Agreement, was 980,848 megawatt-hours, compared to 975,182 megawatt-hours in the previous year. All sales were made to FortisBC under the terms of the Brilliant Power Purchase Agreement. FortisBC also manages the Brilliant dam and powerplant for Brilliant Power Corporation. The sale of Aquila Networks Canada to Fortis Inc. was completed on May 30, 2004.

Capital expenditures during the year were $4.0 million, compared to $24.2 million the previous year. Capital expenditures are expected to total $13.0 million over the next three years, reflecting the reduced need for improvements following the completion of the upgrade and life extension program and the construction of the Brilliant Terminal Station. As of March 31, 2005 the corporation has invested $100 million in the project, including the construction of the Brilliant Terminal Station, since purchasing the assets from Teck Cominco. This investment will be recovered through increased revenues under the power sales agreement with FortisBC.

On October 4, 2004, the corporation issued $50 million of Series C bonds to refinance capital expenditures that had been funded by advances from related corporations. The credit rating for Brilliant bonds was confirmed at A(high) by Dominion Bond Rating Services and A1 by Moody's Investors Service.

Prior to April 1, 2004, the Brilliant dam and powerplant and related assets were owned by Columbia Basin Power Company, an unincorporated joint venture of Columbia Power Corporation and CBT Power Corp. Effective April 1, 2004, as a result of an internal reorganization, the assets of Columbia Basin Power Company were transferred to Brilliant Power Corporation (formerly known as Brilliant Power Funding Corporation), which had, prior to the reorganization, held title to the Brilliant dam and powerplant as agent and nominee for Columbia Basin Power Company. The reorganization simplifies the project's ownership structure without affecting management of the assets.

Brilliant Dam Operations
Summary Information
($ in thousands unless otherwise stated)

	2004/05	2003/04	2002/03	2001/02	2000/01
Power Sales Revenue	$ 30,986	$ 29,563	$ 27,310	$ 24,554	$ 22,123
Brilliant Terminal Station Revenue	2,822	1,567	-	-	-
Interest Revenue	366	282	300	386	860
Operating Expenses	2,689	2,413	2,089	1,868	1,549
Taxes and Water Rentals	6,764	5,984	5,798	5,885	6,018
Interest Expense	12,348	11,612	10,368	9,765	9,143
Amortization	5,364	4,841	3,821	3,279	2,593
Net Income	7,009	6,562	5,534	4,143	3,680
Equity	67,395	66,966	58,836	53,642	50,821
Dividends	8,900	8,530	6,250	4,950	3,500
Capital Expenditures	4,012	24,174	18,681	17,954	21,915
Long-term Debt	161,088	114,524	116,384	118,096	91,556
Current Portion of Long-term Debt	3,248	1,858	1,712	1,580	1,021
Advance from Related Corporations	$ -	$ 42,439	$ 23,921	$ 9,674	$ 26,556
Total Sales (megawatt-hours)	980,848	975,182	822,739	854,492	793,270
Average Price ($/megawatt-hour)	31.59	30.32	33.19	28.72	27.89
Annual Return on Equity	10.4%	10.4%	9.8%	7.9%	7.2%
Debt Service Coverage Ratio	1.64	1.67	1.63	1.55	1.51

Artist's rendition of Brilliant dam and Brilliant Expansion (under construction)

Brilliant Expansion

The Brilliant Expansion project consists of the construction of a new power generation facility adjacent to the Brilliant dam on the Kootenay River. The objective of the project is to take advantage of unutilized hydraulic potential at the Brilliant dam by making use of the seasonal water flow that would otherwise be spilled.

The project includes a short open channel leading to an intake structure, a power tunnel, a surface powerhouse and an access tunnel linking the powerhouse area to the intake area. Tailrace improvements will be undertaken to provide additional power benefits. The project is owned by Brilliant Expansion Power Corporation, a corporation jointly owned, on a 50/50 basis, by Columbia Power Corporation and CBT Brilliant Expansion Power Corp., an indirect subsidiary of the Columbia Basin Trust. Columbia Power Corporation is the manager of the corporation.

The Brilliant Expansion will have a capacity of 120 megawatts, generating approximately 500 gigawatt-hours of energy annually. The construction budget has been set at $205 million. Employment during construction is approximately 400 person-years, plus indirect jobs.

The project will be connected to the transmission grid by a 410-metre, 230 kilovolt line to the Brilliant Terminal Station, located uphill from the Brilliant dam. It will be connected to BC Hydro's Selkirk substation through the Arrow Lakes transmission line, and to the FortisBC transmission system.

The Brilliant Expansion is being developed using Columbia Power Corporation's design-evaluate-build strategy, as successfully applied in the development of the Arrow Lakes Generating Station. This approach was chosen to ensure the most cost-effective construction methods are used for the project, while transferring most of the construction risk to the contractor.

Expressions of interest were received from three international teams of construction, engineering and turbine/generator supply firms, two of which submitted proposals in July 2002. These were reviewed and scored by an expert technical evaluation panel, and then ranked on the basis of that score and the proposal price. This resulted in the selection of the Brilliant Expansion Consortium as the winning bidder, formed by SNC-Lavalin Inc. and a joint venture of Skanska International Civil Engineering AB and Chant Construction Limited, with Alstom Canada as the subcontractor for turbine/generator supply. A design-build contract was signed in February 2003. Construction of the project began in April 2003. Commercial operation is scheduled to begin in August 2006. In the past year, there has been increased pressure on the schedule and the contractor has submitted notice of significant claims that could potentially affect the cost to the owner. However, it is expected that the project will be completed on schedule and on budget.

Brilliant Expansion Power Corporation successfully participated in BC Hydro's 2002/03 Green Power Generation Request for Proposals. As a result, approximately 40% of the output of the project has been sold to BC Hydro under a 20-year sales agreement. Marketing for the remainder of the project output is continuing in domestic and U.S. markets.

In addition to the economic impacts of the project, the Brilliant Expansion will create significant environmental benefits. It will improve fish habitat by reducing the amount of total gas pressure downstream of the dam and will displace approximately 400,000 tonnes annually of greenhouse gas that would otherwise be produced by fossil-fueled electricity projects. The project has been endorsed by nine U.S. agencies, including the Environmental Protection Agency.

Waneta Expansion

The Waneta Expansion project is a proposal to install an additional powerplant at the Waneta dam, located on the Pend d'Oreille River just before its confluence with the Columbia River. This project is similar to the Arrow Lakes Generating Station and Brilliant Expansion in that it will use water otherwise being spilled at an existing facility, and will not require construction of a new dam. The resulting passage of water through turbines instead of spillways will reduce the level of dissolved gas pressure downstream, thereby improving fish habitat. The Waneta Expansion will also result in greater hydraulic balance with the larger Seven Mile and Boundary hydroelectric facilities upstream. The project includes a proposed 10-kilometre 230 kilovolt transmission line to connect the new powerplant to the BC Hydro network at the Selkirk substation, running alongside BC Hydro's Nicola-to-Selkirk 500-kilovolt transmission line. The application for project environmental approvals is based on a generating capacity of 435 megawatts. The capacity of the project will be confirmed through economic and power optimization studies and environmental considerations.

Feasibility studies to date indicate that the project is economic and able to obtain environmental permits. In 2003/04, the Terms of Reference for the project's Environmental Assessment Certificate Application were submitted and approved by the Environmental Assessment Office. Open house information sessions were held as part of the public consultation process. The Environmental Assessment Certificate Application is expected to be filed in the summer of 2005.

The Waneta dam is owned by Teck Cominco Metals Ltd. The rights to undertake the Waneta Expansion project were purchased by Columbia Power Corporation in 1994 and are now jointly owned with the Columbia Basin Trust. The Waneta Cooperation Agreement with Teck Cominco Metals Ltd. was signed in July 2004 and will come into force with the signing of the new Canal Plant Agreement. The intention of this agreement is, among other things, to formalize the manner in which the parties will cooperate with each other in the planning, permitting, construction and operation of the Waneta Expansion. The signing of this agreement and a related transmission rights access agreement will be beneficial to the development of the project.

In 2005/06, project development will continue along the three tracks of Columbia Power Corporation's design-evaluate-build project implementation strategy. In Track I – Environmental/ Regulatory, a number of activities will proceed, with the aim being submission of the Environmental Assessment Certificate Application, followed by receipt of the Certificate by the end of 2005/06. Track II – Industry Competition, will involve activities in support of securing a design-build contract for the project, following the model used for the Arrow Lakes Generating Station and the Brilliant Expansion. This is expected to lead to receipt of fixed-price bids by the end of December 2006. Track III – Owner's Commitments will consist of additional work by Columbia Power Corporation in support of the first two tracks, including project coordination, modelling and power marketing. The preliminary project schedule calls for construction to begin in 2007 and commercial power production to begin in 2010.

Report on Performance

Performance Measures at a Glance

	Benchmark[1]	2003/04 Actual	2004/05 Actual	2004/05 Target
1.1 Variance in project development time	ALGS: 7 months early	BTS: On time	BRX on schedule	To be completed in 2006/07
2.1 Variance from project budgets	ALGS: On budget	BTS: On budget	BRX on budget	To be completed in 2006/07
3.1 Unresolved deficiency ratio	Baseline to be developed	BTS: No unresolved deficiencies	Deficiencies actively monitored	To be completed in 2006/07
4.1 Energy entitlement ratio	CEA: Hydraulic WeightedCapability Factor 2003 = 91%	ALGS: 94% BRD: 98%	ALGS: 76% BRD: 99%	Greater than or equal to 95%
5.1 Bond rating	Investment Grade bond ratings	Maintained ratings for all bonds	Maintained ratings for all bonds	Maintained ratings for all bonds
5.2 Debt service coverage ratio	Greater than or equal to 1.3	ALGS: 5.2 BRD: 1.7	ALGS: 1.7 BRD: 1.6	ALGS: 1.8 BRD: 1.7
5.3 Capital structure	CEA composite performance measure for 2003 = 72:28	26:74	30:70	30:70
6.1 Return on equity	Over the life of a project, comparable to regulated utilities	2.8%	1.7%	2.1%
7.1 OMA unit cost for assets in service	Baseline information to be developed	ALGS: $3.80 BRD: $1.90	ALGS: $4.82 BRD: $2.06	ALGS: $3.80 BRD: $1.90
7.2 Revenue per employee	CEA composite average for 2003: $464,000	$810,000	$712,000	$810,000
8.1 Environmental compliance	Baseline information to be developed	Zero material non-compliance notices	Zero material non-compliance notices	Zero material non-compliance notices

[1] ALGS – Arrow Lakes Generating Station; BTS – Brilliant Terminal Station; BRX – Brilliant Expansion; CEA – Canadian Electricity Association; BRD – Brilliant dam; OMA – operations, management and administration.

Performance Measures Framework

Columbia Power Corporation's performance measures framework follows the Budget Transparency and Accountability Act requirements for performance measures, benchmarks and targets linked to specific goals/objectives and strategies. The framework also reflects the corporation's dual functions as a development company and an operating company. In addition, the framework aligns specific strategies to each goal/objective and incorporates ongoing research regarding suitable benchmarks and targets. Given Columbia Power Corporation's role as joint venture manager and the extent to which the corporation contracts out, finding suitable industry benchmarks remains a challenge, as the industry is still largely dominated by vertically integrated regulated utilities. These challenges are described more fully in the individual performance measures. Where suitable industry benchmarks are not available, those specific to Columbia Power Corporation have been used.

Six performance measures listed in Columbia Power Corporation's 2004/05-2006/07 Service Plan (Return on Assets in Service, Equilibrating Natural Gas Prices, Manager Unit Cost, Employee Training, Net Income and Employment Creation) were not included in this report on performance measures, consistent with the 2005/06 -2007/08 Service Plan. The purpose of the reduction in the number of goals/objectives and related measures and targets is to focus on key aspects of the corporation's project development and operation mandate. In the future, the corporation plans to provide additional, more precise, measures by disaggregating the current measure for "operations, maintenance and administration" into its key functional components of plant operations, plant maintenance, renovations/major improvements, and on-site and off-site support functions.

Goal/Objective #1 – Development of Projects on Time

Strategy

Columbia Power Corporation's project development strategy employs design-build contracts that specify commercial start-up dates, with incentives for early completion and penalties for late completion. In addition, throughout the term of a contract, there are provisions for the corporation to withhold payments if key milestone dates are not met.

Performance measure, benchmark and target

1.1 This measure reports any variance between expected and actual project start-up dates. The benchmark for this measure is Arrow Lakes Generating Station, which was developed seven months early. The target is to achieve a variance of less than or equal to zero, indicating an approved project has achieved commercial start-up on time or early.

GOAL/OBJECTIVE **1. Development of Projects on Time**	**Benchmark**	**TARGETS**[1]					
PERFORMANCE MEASURE **1.1 Variance in project development time**		**2003/04 Actual**	**2004/05 Actual**	**2004 /05**	**2005 /06**	**2006 /07**	**2007 /08**
2004/05–2006/07 Service Plan	ALGS 7 months early	BTS On time	BEPC on Schedule	N/A	N/A	BRX Sept. 2006	
2005/06–2007/08 Service Plan				N/A	N/A	BRX Sept. 2006	N/A

[1] BRX – Brilliant Expansion project, BTS – Brilliant Terminal Station, BEPC – Brilliant Expansion Power Corporation

Goal/Objective #2 – Development of Projects on Budget

Strategy

Columbia Power Corporation's strategy is to transfer construction risk to the design-build contractor. Design-build contracts are fixed-price and contain detailed project specifications, including performance specifications, to minimize change orders and ensure that a project is "fit for purpose." Design-build contracts also provide performance-based penalties and incentives

Performance measure, benchmark and target

2.1 This measure reports on variance between project development costs incurred and the approved budget. The benchmark for this measure is Arrow Lakes Generating Station, which was developed on budget. The target is to achieve a variance of less than or equal to zero, indicating an approved project has achieved commercial start-up on or under budget.

GOAL/OBJECTIVE 2. Development of Projects on Budget	Benchmark	TARGETS[1]					
PERFORMANCE MEASURE 2.1 Variance from project budgets		2003/04 Actual	2004/05 Actual	2004 /05	2005 /06	2006 /07	2007 /08
2004/05–2006/07 Service Plan	ALGS: 7 months early	BTS: On time	BEPC on Schedule	N/A	N/A	BRX: On budget	
2005/06–2007/08 Service Plan				N/A	N/A	BRX: On budget	N/A

[1] BRX – Brilliant Expansion project; BTS – Brilliant Terminal Station; BEPC – Brilliant Expansion Power Corporation.

Goal/Objective #3 – Effective Construction Management

Strategy

As noted, Columbia Power Corporation's design-build contracts specify a project completion date and key milestones, with performance incentives and non-performance penalties. In addition, design-build contracts are secured by performance and labour and materials bonds, either cash holdbacks or letters of credit, and parent company guarantees. The corporation retains independent engineers to oversee contractor performance against the design-build contract specifications and milestones. Once Columbia Power Corporation takes over responsibility for a project's commercial operation, there is a three-year period prior to final acceptance within which the design-build contractor must resolve all material deficiencies and project performance issues. At the end of this three-year period, at a project's Final Acceptance Date, the design-build contract allows for "liquidated damages" for any unresolved materials deficiencies. Liquidated damages can be recovered against any securities or holdbacks under the contract. Columbia Power Corporation maintains sufficient security to cover potential deficiencies.

Performance measure, benchmark and target

3.1 This measure reports the ratio of the value of unresolved material deficiencies (under a project's design build contract) to the value of contractual holdbacks for liquidated damages at the Final Acceptance Date. The target is to achieve a ratio with a value less than or equal to one, indicating that the value of any unresolved material deficiencies is offset by the value of security for liquidated damages.

GOAL/OBJECTIVE 3. Effective Construction Management	Benchmark	TARGETS[1]					
PERFORMANCE MEASURE 3.1 Unresolved deficiency ratio		2003/04 Actual	2004/05 Actual	2004 /05	2005 /06	2006 /07	2007 /08
2004/05–2006/07 Service Plan	Baseline to be developed	BTS: No unresolved deficiences	Deficiences actively monitored	N/A	ALGS: Less than or equal to 1	N/A	
2005/06–2007/08 Service Plan				N/A	ALGS: Less than or equal to 1	N/A	N/A

[1] BRX – Brilliant Expansion project; BTS – Brilliant Terminal Station; BEPC – Brilliant Expansion Power Corporation.

Goal/Objective #4 – Reliable Plant Operations

Strategy

Columbia Power Corporation/Columbia Basin Trust (CPC/CBT) power projects receive contractual energy entitlements based on long-term average stream flow, plant capabilities (energy and capacity) and plant availability. Plant availability can be reduced by both planned and unplanned outages. Columbia Power Corporation attempts to minimize the impact of planned outages by scheduling plant maintenance, repairs and upgrades during low flow (and low entitlement) months (primarily February through April). Unplanned outages tend to be higher during a new plant's period of initial operation, decrease to a "normal" operating level, and eventually increase as a plant ages. CPC/CBT projects are either newly constructed (Arrow Lakes Generating Station) or have been completely refurbished (Brilliant dam). Columbia Power Corporation design-build contracts specify plant performance and reliability measures. In addition, machinery and equipment have manufacturer warranties. Columbia Power Corporation's independent owner's engineers conduct independent studies and investigations to help ensure that a plant's performance and reliability criteria are met and a project is fit for purpose.

Performance measure, benchmark and target

4.1 This measure reports the ratio of a project's actual energy entitlements to maximum energy entitlements, by project, thus providing a measure of plant reliability. The benchmark is the Canadian Electricity Association key performance indicator: Hydraulic Weighted Capability Factor, which has a value of 91% for both 2003 and the five-year period 1999-2003. The target is to achieve a value greater than or equal to 95%, indicating that planned and unplanned outages do not result in more than a 5% reduction in energy entitlements for the year. The lower targets for Arrow Lakes Generating Station in 2004/05 and 2006/07 reflect actual and expected final channel repairs.

GOAL/OBJECTIVE 4. Reliable Plant Operations	Benchmark	TARGETS[1]					
PERFORMANCE MEASURE 4.1 Energy entitlement ratio		2003/04 Actual	2004/05 Actual	2004 /05	2005 /06	2006 /07	2007 /08
2004/05–2006/07 Service Plan	CEA: Hydraulic Weighted Capability Factor 2003 – 91%	ALGS: 94% BRD: 98%	ALGS: 76% BRD: 99%	Greater or equal to 95%	Greater or equal to 95%	Greater or equal to 95%	
2005/06–2007/08 Service Plan				ALGS: >75% BRD: >95%	ALGS: >95% BRD: >95%	ALGS: >91% BRD: >95% BRX: >90%	ALGS: >95% BRD: >95% BRX: >92%

[1] CEA – Canadian Electricity Association; ALGS – Arrow Lakes Generating Station; BRD – Brilliant dam; BRX – Brilliant Expansion project.

Goal/Objective #5 – Investment Grade, Non-Tax-Supported Credit Ratings

The electricity industry is dominated by regulated utilities, such as BC Hydro, which typically do not finance debt on a limited-recourse project basis. Furthermore, the debt of BC Hydro and most other Crown corporations is guaranteed by the provincial government. CPC/CBT project debt is not guaranteed by the government, thus it is not tax supported. It is therefore important that CPC maintain investment grade credit ratings.

Strategy

CPC/CBT have a fixed $500 million government equity endowment. The final $50 million equity payment from the Province under to the 1995 Financial Agreement was paid on April 1, 2005. To have sufficient capital to develop all three mandated core projects, Columbia Power Corporation must raise long-term debt in the commercial bond market on a limited-recourse project basis (as noted, CPC/CBT do not have a government debt guarantee). To minimize overall interest costs while enabling it to pursue CPC/CBT project development goals, the corporation uses equity resources and short-term credit facilities to reduce interest costs during project development. Once a project has been constructed and a long-term power sales agreement has been put in place, the corporation raises long-term project debt from the bond market as required.

Before going to the bond market, Columbia Power Corporation obtains a project bond rating from one or more bond rating agencies, such as Dominion Bond Rating Service (DBRS) and Moody's Investor Service (Moody's). Bond ratings provide an independent, objective and credible third-party evaluation of the risks associated with a project bond issue (commercial debt). Columbia Power Corporation's objective is to maintain investment grade project bond ratings, which requires the corporation to be able to assure rating agencies that a power project can sustain a debt coverage ratio of 1.3 or greater. There are three measures of our performance: the bond ratings, debt service coverage ratios and capital structure.

Performance measure, benchmark and target

5.1 This measure reports a project's bond ratings by DBRS and/or Moody's. The benchmark is an Investment Grade bond rating. Columbia Power Corporation's target is to establish an initial Investment Grade project bond rating, and to maintain or improve that rating over time.

GOAL/OBJECTIVE **5. Investment Grade, Non-Tax-Supported Credit Rating**	**Benchmark**	**TARGETS**[1]					
PERFORMANCE MEASURE **5.1 Bond rating**		**2003/04 Actual**	**2004/05 Actual**	**2004 /05**	**2005 /06**	**2006 /07**	**2007 /08**
2004/05–2006/07 Service Plan	Investment Grade bond ratings for CPC/CBT project debt	Maintained ratings for all bonds	Maintained ratings for all bonds	Maintain or improve current Investment Grade bond ratings for CPC/CBT project debt. ALGS: DBRS A (high) BRD: DBRS A (high); Moody's A1 BRX: Investment Grade bond rating in 07/08			
2005/06–2007/08 Service Plan							

[1] ALGS - Arrow Lakes Generating Station; DBRS - Dominion Bond Rating Service; BRD - Brilliant dam; BRX - Brilliant Expansion project

5.2 The second measure of credit worthiness reports on a project's debt service coverage ratio, measured as net income before interest and amortization of assets, divided by interest plus debt principal repayment, for projects with a bond rating. The benchmark used by rating agencies to establish an Investment Grade bond rating is an interest coverage ratio of greater than or equal to 1.3. Columbia Power Corporation has established a target debt service ratio of 1.5 for each project with a bond rating, subject to the corporation's capital spending needs and the availability of equity. High debt service coverage ratios suggest an ability to raise additional limited-recourse project debt in the commercial bond market.

GOAL/OBJECTIVE **5. Investment Grade, Non-Tax Supported, Credit Rating**	**Benchmark**	**TARGETS**[2]					
PERFORMANCE MEASURE **5.2 Debt service coverage ratio**		**2003/04 Actual**	**2004/05 Actual**	**2004 /05**	**2005 /06**	**2006 /07**	**2007 /08**
2004/05–2006/07 Service Plan[1]	Greater than or equal to 1.3	ALGS: 5.2 BRD: 1.7	ALGS: 1.7 BRD: 1.6	ALGS: 1.8 BRD: 1.7	ALGS: 1.9 BRD: 1.7	ALGS: 2.0 BRD: 1.8	
2005/06–2007/08 Service Plan				ALGS: 1.7 BRD: 1.6	ALGS: 2.0 BRD: 1.6	ALGS: 2.0 BRD: 1.6	ALGS: 2.1 BRD: 1.7 BRX: 1.7

[2] ALGS - Arrow Lakes Generating Station; BRD - Brilliant dam; BRX - Brilliant Expansion project.

5.3 The third measure reports on Columbia Power Corporation's capital structure, measured as consolidated debt and consolidated equity, each divided by consolidated debt plus equity, expressed as a ratio. Along with a project's debt service ratio, a project's debt to equity ratio is a key measure of the corporation's ability to raise additional long-term debt to develop all three of its mandated core projects.

Finding a suitable industry benchmark is difficult. The electricity industry average is a composite that reflects the dominance of large government-backed regulated utilities such as Hydro Quebec and BC Hydro, which do not engage in limited-recourse project finance. The ratio of debt to equity is a standard industry measure that is reported on a consolidated basis, not on a project basis. The corporation's low debt-to-equity targets are consistent with its Capital Plan and investment strategy of using equity to construct projects. Once the Brilliant Expansion and Waneta Expansion projects have been constructed, the corporation's debt-to-equity ratio will more closely track the Canadian Electricity Association industry average.

GOAL/OBJECTIVE **5. Investment Grade, Non-Tax-Supported Credit Rating**	**Benchmark**	**TARGETS**[1]					
PERFORMANCE MEASURE **5.3 Capital structure**		**2003/04 Actual**	**2004/05 Actual**	**2004 /05**	**2005 /06**	**2006 /07**	**2007 /08**
2004/05–2006/07 Service Plan	CEA composite measure for 2003 = 72:28	26:74	30:70	30:70	29:71	27:73	
2005/06–2007/08 Service Plan				30:70	28:72	27:73	36:64

[1] CEA - Canadian Electricity Association.

Goal/Objective #6 – Acceptable Return on Equity

Strategy

As noted earlier, the mandate of Columbia Power Corporation is to develop and operate the Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion projects on a commercial basis with a fixed amount of equity from the Province, without a provincial government debt guarantee and without a built-in customer base (i.e., as an independent power producer and wholesaler). CPC/CBT power projects are capital intensive, but because they largely harness spring run-off water, they have low capacity utilization factors (of about 50%). Furthermore, while the economic life of a CPC/CBT hydroelectric power project can be 70 years or more, limited-recourse project debt is typically for terms of 30 years or less. Thus, CPC/CBT must defer receiving a significant portion of its equity returns until after project debt is retired.

In view of these constraints, Columbia Power Corporation pursues the objective of an acceptable long-term return on equity over the life of a project. In order to balance market opportunities with the ability to raise limited-recourse project debt, the corporation has put in place a portfolio of power sales contracts with varying terms (60 years for the Brilliant dam with market price adjustments after year 30; 12 years for Arrow Lakes Generating Station; and 20 years for the 40% of Brilliant Expansion output currently under contract). The corporation also pursues a strategy of managing project risks by establishing competitive, fixed-price design-build contracts, passing hydrology risk to BC Hydro in exchange for predetermined monthly energy and capacity entitlements, entering into long-term power sales agreements supported by third-party backstop agreements; and carrying business interruption, property and liability insurance.

Performance measure, benchmark and target

6.1 This measure reports return on equity, measured as consolidated net income divided by equity (contributed surplus plus retained earnings). Suitable industry benchmarks are not readily available. Return on equity is a standard industry measure, but – unlike for regulated utilities, which dominate the industry – CPC/CBT power projects do not earn an annual regulated rate of return in each year from a built-in customer base. As noted, CPC/CBT earn a return on equity over the life of a project investment. This return will depend on market conditions and Columbia Power Corporation's ability to manage trade-offs between risk and return. The benchmark is to achieve, over a project's life, a return on equity comparable to that earned by regulated utilities. The target annual return on equity will be low in a project's early years and will rise over time, particularly once debt is retired.

GOAL/OBJECTIVE **6. Acceptable Return on Equity**	**Benchmark**	**TARGETS**					
PERFORMANCE MEASURE **6.1 Return on equity**		**2003/04 Actual**	**2004/05 Actual**	**2004 /05**	**2005 /06**	**2006 /07**	**2007 /08**
2004/05–2006/07 Service Plan	Over the life of a project, comparable to regulated utilities	2.8%	1.9%	2.1%	2.3%	3.6%	
2005/06–2007/08 Service Plan				2.0%	2.5%	3.6%	4.0%

Goal/Objective #7 – Cost-Efficient Joint Venture Management

Strategy

In order to be cost efficient, Columbia Power Corporation relies on the use of external contractors, through both its competitive design-build development strategy and the contracting out of project operation and maintenance, legal, payroll, pension administration, benefits administration and IT functions. The corporation maintains a regular staff of highly qualified professionals, who perform project and corporate planning, project permitting, risk management, commercial negotiation, power marketing, project and corporate accounting, treasury, land management, community relations, environmental management, contract administration and due diligence functions.

Performance measure, benchmark and target

7.1 A key industry measure of efficiency is the operations, maintenance and administration (OMA) unit cost for assets in-service, measured as OMA costs divided by net electricity entitlement, in dollars per megawatt-hour. Given Columbia Power Corporation's reliance on external contractors, this measure may not be comparable to industry standards. Furthermore, to provide meaningful benchmarks against which to manage ongoing operations, this measure needs to be disaggregated by function and by project. As noted, the corporation plans to present disaggregated OMA performance measures in future Annual Reports.

GOAL/OBJECTIVE **7. Cost-Efficient Joint Venture Management**	**Benchmark**	**TARGETS**[1]					
PERFORMANCE MEASURE **7.1 OMA unit cost for assets in service**		**2003/04 Actual**	**2004/05 Actual**	**2004 /05**	**2005 /06**	**2006 /07**	**2007 /08**
2004/05–2006/07 Service Plan	Baseline information to be developed	ALGS: $3.80 BRD: $1.90	ALGS: $4.82 BRD: $2.06	ALGS: $3.80 BRD: $1.90	ALGS: $2.40 BRD: $2.00	ALGS: $2.50 BRD: $2.00 BRX: $3.40	
2005/06–2007/08 Service Plan				ALGS: $6.00 BRD: $1.90	ALGS: $4.40 BRD: $2.30	ALGS: $3.30 BRD: $2.20 BRX: $3.70	ALGS: $3.20 BRD: $2.10 BRX: $2.70

[1] ALGS – Arrow Lakes Generating Station; BRD – Brilliant dam; BRX – Brilliant Expansion project

Note: The higher target values for the Arrow Lakes Generating Station reflect: increased Columbia Power Corporation due diligence related to unresolved material deficiencies at the Arrow Lakes Generating Station before its Final Acceptance date of January 1, 2006; FortisBC's plant maintenance charges at the Arrow Lakes Generating Station taking longer than anticipated to track levels at the Brilliant dam; and the corporation's decision to hire engineers-in-training to develop internal expertise regarding CPC/CBT powerplant operations and maintenance.

7.2 Another industry measure of efficiency is revenue per employee, measured as consolidated revenue divided by the number of employees at year-end. The benchmark is the Canadian Electricity Association industry composite average. Given Columbia Power Corporation's reliance on external contractors, the corporation's performance measure may not be comparable to the electricity industry standard. To partially adjust for this, the target performance measure includes only the one-half share of total power project revenue that accrues to the corporation.

GOAL/OBJECTIVE 7. Cost-Efficient Joint Venture Management	Benchmark	TARGETS[1]					
PERFORMANCE MEASURE 7.2 Revenue per employee		2003/04 Actual	2004/05 Actual	2004 /05	2005 /06	2006 /07	2007 /08
2004/05–2006/07 Service Plan	CEA composite average for 2003: $464,000	$810,000	$712,000	$810,000	$800,000	$970,000	
2005/06–2007/08 Service Plan				$770,000	$810,000	$990,000	$1,120,000

[1] CEA - Canadian Electricity Association.

Goal/Objective #8 – Environmental Compliance

Strategy

Columbia Power Corporation is primarily an asset development and management company, with contractors performing almost all activities associated with significant environmental impact. The corporation builds stringent environmental compliance requirements into its design-build contracts. It puts the onus on the contractor to develop the specific means to undertake its activities in a skilled, knowledgeable and diligent manner in compliance with environmental laws, regulations and permit conditions, as well as with the practices and standard of care within the industry. In addition, the corporation conducts its own due diligence, primarily through the independent owner's consultant oversight and reviews.

In 2004/05, Columbia Power Corporation implemented an environmental management system (EMS) to guide its management of the legal, regulatory and other environmental requirements that stem from its projects. The EMS has been developed with the International Organization for Standards ISO 14001 standard, which has been adopted by the Canadian Electricity Association, as a guide. Although the corporation plans to operate at this standard, it is not currently planning to apply for certification because of cost and staffing considerations. The scope of the EMS includes project planning, project construction, facility operation and maintenance, and land management. The basic objective or goal is to have Columbia Power Corporation conform to an appropriate level of environmental due diligence, consistent with the legal standard of care established by the courts. That standard requires the corporation to take all reasonable steps to avoid causing prohibited environmental harm. The measure of reasonableness will change over time as industry expertise progresses. Columbia Power Corporation considers its particular circumstances, as well as the practices and standard of care within the industry in which the corporation operates. The greater the potential for environmental harm, the higher the standard of care will be.

The EMS by itself is not sufficient to establish that the corporation is duly diligent. The system must be implemented, effective and monitored. It must also improve over time to meet changes in the measure of reasonableness.

Performance measure, benchmark and target

8.1 Compliance with environmental requirements is measured as the number of notices from regulatory agencies of environmental non-compliance. The industry is dominated by large utilities, including hydro producers (such as BC Hydro, Hydro Quebec and Manitoba Hydro), thermal producers in Alberta and nuclear producers in Ontario. In addition to generation facilities, many of these utilities have large transmission and distribution facilities. Accordingly, a suitable industry benchmark is not readily available. Columbia Power Corporation has established a target of zero material non-compliance notices.

GOAL/OBJECTIVE **8. Environmental Compliance**	**Benchmark**	**TARGETS**[1]					
PERFORMANCE MEASURE **8.1 Compliance with environmental requirements**		**2003/04 Actual**	**2004/05 Actual**	**2004 /05**	**2005 /06**	**2006 /07**	**2007 /08**
2004/05–2006/07 Service Plan	Baseline information to be developed	Zero material non-compliance notices	Zero material non-compliance notices	Zero material non-compliance notices			
2005/06–2007/08 Service Plan							

Variance Analysis

Columbia Power Corporation's financial and efficiency measures were negatively affected by the Arrow Lakes Generating Station production outages and interim channel repair costs. The expensing of current and prior period Columbia Basin Initiative restructuring costs also affected overall performance relative to targets. In the absence of these items, Columbia Power Corporation's financial targets would have been exceeded.

Methodology

Current and historical performance measures are not audited. Development and construction efficiency measures are based on information from project tracking systems and monthly status reports. The financial measures are derived from the corporation's audited consolidated financial statements and other reliable sources. Bond ratings and environmental compliance measures are independently verifiable.

A number of Columbia Power Corporation's performance targets are based on forecasts of future events. They were estimated using assumptions that reflect Columbia Power Corporation's planned courses of action, and judgments as to the most probable set of economic conditions. The financial impacts of the permanent channel repairs at the Arrow Lakes Generating Station are not determinable at this time and have not been reflected in the future financial targets. Because of the nature of forecasting future events, users of this information are cautioned that actual results will vary from the information presented.

The key assumptions affecting the future performance targets include:

- The Brilliant Expansion project will achieve its commercial operation date of September 7, 2006 within the approved development and construction budget of $205 million.
- Grants in lieu of property tax will be paid by the Arrow Lakes Generating Station and Brilliant Expansion project on a similar basis to that of the BC Hydro Columbia River Treaty facilities and generation plants on the Peace, Columbia and Pend d'Oreille rivers.
- The market price for electricity of about $55 per megawatt-hour (in Canadian currency) at March 31, 2005, will escalate in nominal terms at 2% per year.
- Operating cost inflation, including water rental increases, will be 2% per year.
- A new 30-year Canal Plant Agreement (CPA) will be signed among BC Hydro, CPC/CBT, FortisBC, and Teck Cominco before the current CPA expires in September 2005.

Alignment with Government's Strategic Plan

The government's Strategic Plan lists three fundamental goals:

- Goal 1: A strong and vibrant provincial economy.
- Goal 2: A supportive social fabric.
- Goal 3: Safe, healthy communities and a sustainable environment.

Columbia Power Corporation makes significant contributions directly to Goal 1 and Goal 3 and indirectly to Goal 2.

Goal 1 – The Economy

Over the period 1999/00 through 2002/03, with the construction and commissioning of the $270 million Arrow Lakes Generating Station, Columbia Power Corporation had the third largest hydro project under construction in North America and the largest industrial project in B.C. The Arrow Lakes Generating Station was completed on budget and ahead of schedule. During the three-year construction period, the project created 750 person-years of direct employment (85% local hires), $60 million in direct and indirect income and $20 million in regional procurement.

The construction of the $205 million Brilliant Expansion, which began in the first quarter of 2003/04, will create over 450 person-years of direct employment, $30 million in direct and indirect income and $15 million in local procurement during the three-year construction period.

Over the period 2005/06–2007/08, Columbia Power Corporation's power projects are expected to generate $63 million of net income for their shareholders, the Province and the Columbia Basin Trust. The projects will also contribute $35 million in taxes and water rentals.

Goal 2 – The Social Fabric

Through the payment of dividends to the Province and the Columbia Basin Trust, taxes to the Province and local governments, and water rentals to the Province, Columbia Power Corporation's power projects help to fund: healthcare, education and other provincial programs and services; the Columbia Basin Trust's economic, environmental and social programs in the Columbia Region; and local government services in the Regional District of Central Kootenay and the City of Castlegar. In keeping with its commitment to Columbia Basin residents, Columbia Power Corporation also provides direct sponsorship funding for community services, regional events and scholarships and bursaries in the Columbia Basin. Examples of sponsorship include hiking trail improvements, community festivals, hospital foundations, sporting and cultural events, and wildlife groups. Columbia Power Corporation provides scholarships to graduating classes of all 23 secondary schools in the Columbia Basin. It also makes bursaries available to students enrolled at the three post-secondary institutions in the Columbia Basin: the College of the Rockies, the Kootenay School of the Arts and Selkirk College.

Goal 3 - The Environment

Since 1999, Columbia Power Corporation and the Columbia Basin Trust have provided $175,000 per year (adjusted for inflation) for the Arrow Lakes Fish Fertilization Program. The joint venture partners contributed $193,570 in 2004/05, for a six-year total of just over $1.1 million. The fertilization program involves adding a mixture of liquid nitrogen and phosphorus to the water that increases phytoplankton (algae), which in turn feeds the zooplankton, kokanee and larger fish. An estimated 1 million kokanee spawned in the Arrow Lakes Reservoir in 2004, compared to 395,000 in 1999. This is the highest number of spawning kokanee since 1988. The average size of a spawning kokanee has also increased significantly. By increasing the number and size of spawning kokanee, fertilization is providing a better food source for wildlife predators and scavengers such as bears and eagles. The program is recognized as one of the largest lake restoration projects in the world. Additional contributions for environmental purposes included the transfer of 125 acres of land to the Nature Trust and funding for the Slocan River Rainbow Trout Habitat Enhancement Program. A demonstration phase was implemented in the winter of 2004/05 that consisted of constructing five in-stream habitat structures.

The Arrow Lakes Generating Station, in combination with the Brilliant Expansion project, will reduce by 70% the number of days when total gas pressure (TGP) in the Columbia River at the U.S. border exceeds the U.S. standard. When TGP reaches a level of 115% of normal, bubbles can form in the cardio-vascular systems of fish, which can lead to death and disruption of migration and spawning. The joint venture projects are of major benefit to the U.S., which spends millions of dollars to reduce TGP. For this reason, eight U.S. federal and state agencies, including the Environmental Protection Agency and the Fish and Wildlife Service, and the Colville Confederated Tribes have endorsed the joint venture's projects.

The Arrow Lakes Generating Station and Brilliant Expansion together would displace over 700,000 tonnes per year of CO_2, compared to generating an equivalent amount of electricity in a gas-fired generating plant. These avoided emissions are equivalent to displacing 140,000 cars from Vancouver streets. The joint venture partners have maintained ownership of any greenhouse gas credits for their projects, which could potentially be sold in the future.

Columbia Power Corporation completed the development of its environmental management system in 2004/05. The corporation is currently in the process of implementing this system.

Management Discussion and Analysis

Results of Operations

Net income earned by Columbia Power Corporation in 2004/05 was $5.7 million, compared to planned income for the year of $6.3 million and actual income of $8.3 million the previous year. Net income of Columbia Power Corporation includes 50% of the income of the power project joint ventures. Arrow Lakes Power Corporation recorded reduced income compared to the prior year due to: higher interest and water rental expenses (as was anticipated) as well as damage to the approach channel at the Arrow Lakes Generating Station, which resulted in a suspension of operations from May to August 2004. Most of the resulting lost output and repair costs incurred in 2004/05 are expected to be recovered from insurers and/or the design/build contractor. Reduced amortization and higher interest earnings partially offset the higher expenses. Brilliant Power Corporation earned increased profits due primarily to escalation of power sales revenues and to revenue attributable to the newly completed Brilliant Terminal Station, which offset higher interest and depreciation charges. Revenues were not affected by foreign exchange volatility or fluctuations in electricity markets as power sales are under long term contracts in Canadian dollars. The expensing of current and prior years' expenditures related to restructuring of the Columbia Basin Initiative also decreased earnings.

Debt service coverage ratios at Brilliant Power Corporation and Arrow Lakes Power Corporation were maintained at satisfactory levels and the investment grade bond ratings for the two corporations were retained.

During 2004/05, Columbia Power Corporation's return on equity was 1.9% compared to the planned return of 2.1% for the year, and actual performance of 2.8% the previous year, reflecting lower net income from the Arrow Lakes Generating Station and substantial equity provided for the Brilliant Expansion project.

Financing Activities

Investing activities were funded by contributions from the Province, issuance of Brilliant Power Corporation bonds, and cash from operations. Lower than expected borrowing rates and the use of internal sources of cash had a positive impact on financing costs. The contributions from the Province were made to Columbia Basin Trust, which used them to repay its obligation to Columbia Power Corporation. With this cash, Columbia Power Corporation invested in the power projects and provided further interest-free advances to the Columbia Basin Trust for its share of joint venture equity investments. The corporation declared a dividend of $2 million for 2004/05, the same amount as in the previous year.

Investing Activities

Capital spending during the year was $41.9 million, compared to planned expenditures of $45.1 million for the year and expenditures of $50.5 million in the prior year. Almost all of this expenditure was invested in power projects undertaken jointly with the Columbia Basin Trust, and represents Columbia Power Corporation's 50% portion of joint venture capital spending. The major area of expenditure was construction of the Brilliant Expansion, followed by additions to the Brilliant power facility and terminal station and the Arrow Lakes Generating Station. Capital was also invested for Waneta Expansion project development activities. Columbia Power Corporation used distributions from the power projects to pay for corporate asset additions. The corporation established a reserve for the Arrow Lakes Channel permanent repairs and increased the Brilliant bonds debt service reserve fund.

Liquidity and Sources of Capital

Columbia Power Corporation has set aside cash and temporary investment reserves to complete the Brilliant Expansion project, fund the Arrow Lakes Channel permanent repair, finish the Brilliant life extension program and partially fund the development of the Waneta Expansion project.

Columbia Power Corporation has access to the Province's fiscal agency loan program, which can be used to finance the Waneta Expansion project during construction. Subject to the creditworthiness of future power sales contracts, long-term and short-term borrowing capacity is also available from the existing power projects to finance the Waneta Expansion project.

Future operational cash is earmarked to fund sustaining capital for operating plants and, subject to the dividend requirements of the Province and the Columbia Basin Trust, provide equity for the Waneta Expansion project. This operational equity would lower future long-term borrowing requirements and allow power marketing flexibility.

Consolidated Results of Operations and Forecasts

($ in thousands)

	2004/05 Budget	2004/05 Actual	2005/06 Forecast	2006/07 Forecast	2007/08 Forecast
Revenues					
Sale of Power and Transmission	$ 31,688	$ 27,891	$ 32,017	$ 40,726	$ 47,350
Other	707	1,310	1,123	1,077	986
	32,395	29,201	33,140	41,803	48,336
Expenses					
Operating	16,838	16,559	16,633	19,501	21,990
Financing	9,295	8,360	8,798	11,128	13,360
	26,133	24,919	25,431	30,629	35,350
Net Income Before Channel Expenses and Recoveries	6,262	4,282	7,709	11,174	12,986
Channel Expenses	-	3,927	-	-	-
Channel Recoveries	-	5,389	-	-	-
Net Income	6,262	5,744	7,709	11,174	12,986
Capital Spending	$ 45,133	$ 41,867	$ 19,456	$ 16,620	$ 71,303
Full-time Equivalents	40	41	41	42	43

Outlook and Risks

Columbia Power Corporation's return on equity will increase over time as projects now under development enter the operating phase and begin to earn income following intensive capital spending during construction. Factors that could affect the future rate of return include power market developments, interest and exchange rate movements, payments to government and access to transmission systems. The Province's energy plan supports the development of Columbia Power Corporation's projects by providing greater access to the transmission system and improving the ability of non-utility generators to sell power directly to large customers.

Future dividends will be determined based on annual cash earnings, Arrow Lakes Generating Station approach channel repair cash requirements, working capital requirements, reserves for future capital replacement and new power project investment opportunities.

The major source of short-term operational uncertainty for Columbia Power Corporation is the damage to the approach channel at the Arrow Lakes Generating Station. Damage to the concrete lining of the approach channel was discovered on May 3, 2004. Arrow Lakes Power Corporation carried out interim repairs of the channel during the year and is preparing plans to undertake permanent repairs as appropriate. It is taking all necessary steps – including pursuing its remedies under the design-build contract and its insurance policies and preserving its available sources of working capital – to ensure that its obligations to creditors and regulators will be satisfied.

Net income during permanent channel repairs (potentially 2005/06 and 2006/07) may be materially affected, depending on the cost of the repairs, the timing of recovery of repair costs from insurance and/or the design-build contractor, and contractual considerations that may affect the amount of the recoveries.

Subject to resolution of the Arrow Lakes Generating Station channel problem, Columbia Power Corporation's outlook for the future is for stable earnings growth. At the Brilliant power facility and terminal station and the Arrow Lakes Generating Station, prices are fixed by long-term contracts and are not affected by changes in power markets. Entitlement agreements with BC Hydro provide firm amounts of power regardless of actual water flows, thereby eliminating hydrology risk. Interest costs for projects in operation are fixed through the issue of long-term bonds. At Brilliant, earnings stability is further enhanced by the cost-of-service nature of the power sales agreement. Although the sales contract for the Arrow Lakes Generating Station does not have this feature, operating costs at Arrow Lakes are low relative to revenues, as is typical in a hydroelectric generating plant.

The construction program for the Brilliant Expansion is scheduled to run for the next one and a half years. The fixed-price nature of the contract and built-in performance guarantees have the effect of transferring most of the construction risk to the contractor. It is expected that an entitlement agreement will be in place for the Brilliant Expansion, which will remove hydrology risk. With approximately 40% of the plant output sold under a long-term contract with BC Hydro, Columbia Power Corporation is pursuing opportunities to enter into sales agreements for the remaining plant output prior to completion of construction. The nature of the sales arrangements put in place for the Brilliant Expansion will affect the corporation's ability to raise financing at project completion, which in turn will affect the availability of funds for the construction of the Waneta Expansion.

The following table presents an analysis of the primary risks that Columbia Power Corporation faces and the strategies implemented during 2004/05 to address these risks.

Risk Management by Columbia Power Corporation

Risk	Issue/Impact	Results during 2004/05
Arrow Lakes Channel Repair Costs	The cost of permanent channel repairs could be significant in 2005/06 and 2006/07.	Columbia Power Corporation has retained $12 million as of March 31, 2005 to fund permanent repairs and will retain further cash in 2005/06. The corporation will seek to recover these costs and lost revenue from insurers and/or the design-build contractor.
Waneta Expansion Construction Decision	Construction of the Waneta Expansion is subject to: permitting, design-build bids, entitlement negotiations, power marketing and long-term borrowing costs. Each could affect project timing, scale and viability.	Columbia Power Corporation is pursuing the design-evaluate-build development strategy used to develop the Arrow Lakes Generating Station and Brilliant Expansion. The corporation has achieved a transfer of the Waneta Water Reserve to CPC/CBT, and has also signed a Waneta Cooperation Agreement and a Transmission Rights Agreement with Teck Cominco.
Canal Plant Agreement (CPA) Renegotiations	The existing CPA includes Brilliant entitlements. Key parts of the CPA expire in September 2005. BC Hydro, Columbia Power Corporation, FortisBC and Teck Cominco are negotiating to renew the CPA for 30 years and to include Brilliant Expansion and Waneta Expansion.	Columbia Power Corporation continues to work with BC Hydro, FortisBC and Teck Cominco on finalization of the CPA renewal. The CPA renewal agreements are expected to be finalized in June 2005.
Brilliant Expansion – Commercial Operation Date	The scheduled Commercial Operation date is August 2006.	Columbia Power Corporation actively monitors the progress of construction. The design-build contract specifies a project completion date, with bonuses for early completion and penalties in the form of liquidated damages for late completion.

Risk Management by Columbia Power Corporation (continued)

Risk	Issue/Impact	Results during 2004/05
Plant Reliability	If the Arrow Lakes Generating Station plant outage factor were 5%, instead of the budgeted 2.3%, revenues and net income would decline by $750,000 in 2005/06, assuming no recoveries.	Plant outage risk for Brilliant is transferred to the power purchaser/plant operator. Design-build contracts are secured by: performance and labour and materials bonds; either cash holdbacks or letters of credit; and parent company guarantees. Machinery and equipment have manufacturer warranties. All power projects also carry business interruption, property and liability insurance.
Availability of Funds	Equity and debt funding are required for completion of current and future projects.	Brilliant Power Corporation issued $50 million Series C project bonds in 2004/05. The final $50 million equity contribution from the Province was received April 1, 2005.
Brilliant Expansion Power Marketing	Forty percent of Brilliant Expansion output has been marketed to BC Hydro under a 20-year Green Power contract, the revenue from which is sufficient to recover project capital costs.	Columbia Power Corporation is pursuing sales contracts with utilities and marketers in domestic and U.S. markets for the remaining 60% of Brilliant Expansion power.
Transmission and Market Access	CPC/CBT power projects are located in a region with limited long-term firm transmission capacity to access adjacent markets in Alberta and the U.S.	Columbia Power Corporation has signed a long-term Transmission Rights Agreement with Teck Cominco. The corporation is intervening in BC Transmission Corporation tariff hearings. Columbia Power Corporation is also pursuing sales contracts with delivery at CPC/CBT points of interconnection.

Risk Management by Columbia Power Corporation (continued)

Risk	Issue/Impact	Results during 2004/05
Regulatory Risk	CPC/CBT and CPC/CBT power projects come under the Utilities Commission Act definition of public utilities.	Columbia Power Corporation has obtained a Ministerial Order exempting CPC/CBT and CPC/CBT power projects from regulation under the Utilities Commission Act.
Property Taxation	Taxing the Arrow Lakes Generating Station and Brilliant Expansion at current regional district rates would reduce annual project net income by about $6 million and $3 million, respectively. The Waneta Expansion could be similarly impacted. This would affect the economic viability of the power projects and the ability to raise debt to fund the Waneta Expansion.	Columbia Power Corporation has previously obtained Orders in Council exempting the Arrow Lakes Generating Station and Brilliant Expansion from property tax. The corporation will seek a similar tax exemption for the Waneta Expansion. It is expected that the Arrow Lakes Generating Station, Brilliant Expansion and Waneta Expansion will pay grants in lieu on a similar basis to BC Hydro Columbia River Treaty facilities and generation plants on the Peace, Columbia and Pend d'Oreille Rivers.
Water Use Planning and Columbia River Treaty Operations Risk	Constraints imposed as a result of BC Hydro water use planning and changes in upstream flow regulation associated with the Columbia River Treaty could adversely affect powerplant operations and project revenues, unless CPC/CBT are saved harmless.	Columbia Power Corporation has obtained an indemnity from BC Hydro saving harmless CPC/CBT power projects from the effects of Water Use Planning. The corporation is also monitoring changes to U.S. regulation of Libby dam and has registered CPC/CBT interests with the U.S. Army Corp of Engineers and BC Hydro, the designated U.S. and Canadian Entities under the Columbia River Treaty.

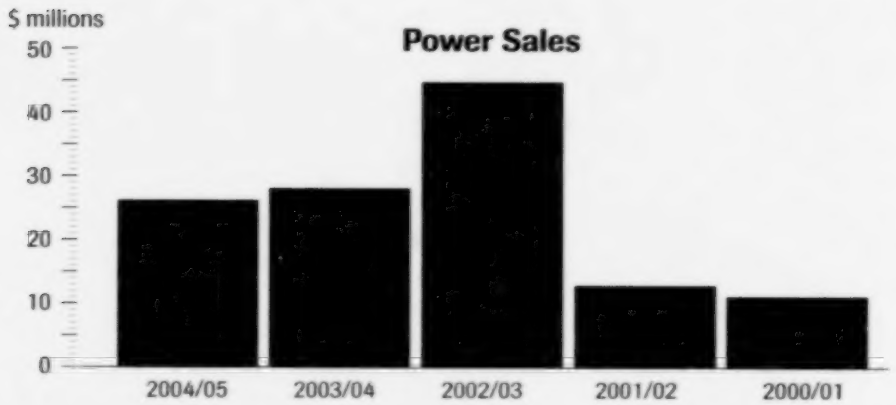
Risk Management by Columbia Power Corporation (continued)

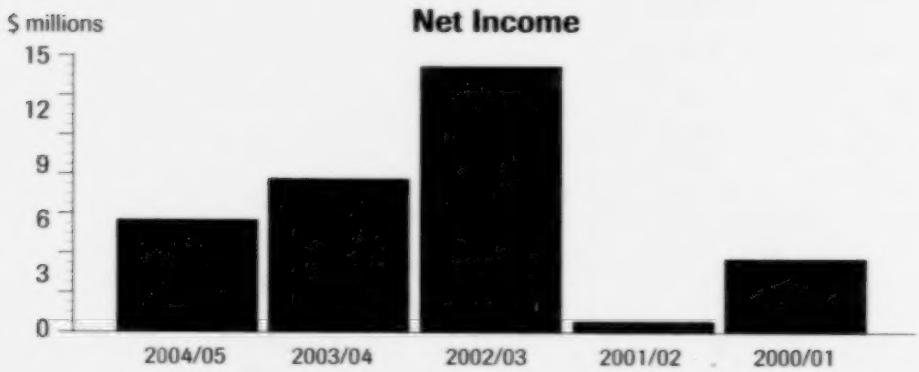
Risk	Issue/Impact	Results during 2004/05
Foreign Exchange Risk	A 1¢ change in the Canadian dollar relative to the U.S. dollar represents about $200,000 per year for the 60% of Brilliant Expansion power entitlement not currently under contract.	Sales to BC Hydro and FortisBC are in Canadian dollars. For export sales in U.S. dollars, hedging against exchange risk can be used.
Counter-party Credit Risks	Bond ratings and interest costs for CPC/CBT project debt are affected by the creditworthiness of the buyer. Power purchasers may also require Columbia Power Corporation to post security.	Columbia Power Corporation's marketing efforts are directed at selling power to purchasers with high credit ratings and entering backstop arrangements as appropriate. The corporation will negotiate with purchasers to minimize or, if possible, eliminate this requirement.
Interest Rate Risk	Higher interest rates could negatively impact the cost of new project debt, project net income and the economics of and ability to finance the Waneta Expansion.	Columbia Power Corporation continues to pursue debt management strategies and use interest rate hedges to manage risk to acceptable levels, as appropriate.

Five-Year Comparative Data

($ in thousands)

	2004/05	2003/04	2002/03	2001/02	2000/01
Power Sales	$ 26,480	$ 28,081	$ 44,650	$ 12,781	$ 11,071
Interest and Other Earnings	2,721	1,892	700	711	2,811
Net Income	5,744	8,262	13,438	550	3,716
Dividend Payments	2,000	2,000	2,000	2,000	3,000
Capital Assets and Deferred Costs	365,234	330,852	287,296	266,148	210,005
Short-Term Debt	-	-	47,254	63,491	20,343
Long-Term Debt	128,407	107,664	59,049	59,839	46,288
Equity	303,417	299,673	293,411	287,011	288,461
Capital and Deferred Spending	$ 41,865	$ 50,460	$ 26,601	$ 58,999	$ 63,095
Debt to Equity Ratio	30:70	26:74	27:73	30:70	19:81





COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2005

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COLUMBIA POWER CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

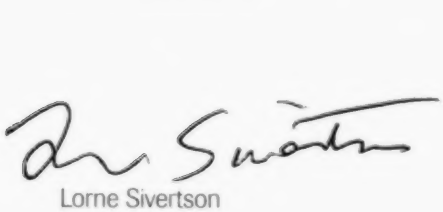
FOR THE YEAR ENDED MARCH 31, 2005

Statement of Management Responsibility

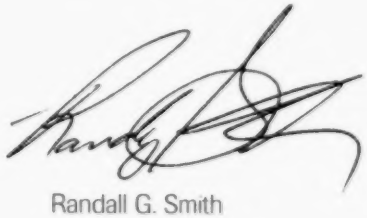
The consolidated financial statements of Columbia Power Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles and fairly present Columbia Power Corporation's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgments relating to matters not concluded by fiscal year end, is the responsibility of management.

Management is responsible for establishing and maintaining appropriate systems of internal control (which include policies and procedures) to provide reasonable assurance that Columbia Power Corporation's assets are safeguarded and that reliable financial records are maintained.

The Auditor General of British Columbia has been appointed by management to audit the consolidated financial statements. The report of the Auditor General of British Columbia is attached, outlining the scope of his examination and providing his opinion on the consolidated financial statements.



Lorne Sivertson
President



Randall G. Smith
Comptroller

May 20, 2005

Report of the Auditor General of British Columbia

To the Board of Directors of
Columbia Power Corporation and

To the Minister of Energy and Mines,
Province of British Columbia:

I have audited the consolidated balance sheet of *Columbia Power Corporation* as at March 31, 2005 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Columbia Power Corporation as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 20, 2005

Wayne Strelioff, FCA
Auditor General

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
($ in thousands)

	2005	2004
ASSETS		
Current assets		
Cash and temporary investments (Note 3)	$ 43,032	$ 30,306
Accounts receivable and unbilled revenue	6,130	5,919
Inventories (Note 4)	1,020	1,043
Prepaid expenses and deposits	1,415	1,491
Recoverable channel repair costs and losses (Note 5)	2,389	-
	53,986	38,759
Capital assets (Note 6)	240,689	243,647
Other assets		
Due from joint venture partner (Note 7)	25,000	50,000
Hydroelectric power expansion rights (Note 8)	25,925	25,925
Deferred costs (Note 9)	88,985	50,926
Power sales right (Note 10)	9,635	10,354
Deferred debt issue costs (Note 11)	3,936	2,702
	153,481	139,907
	$ 448,156	$ 422,313

The accompanying notes are an integral part of the financial statements

APPROVED ON BEHALF OF THE BOARD:

Director

Director

COLUMBIA POWER CORPORATION

CONSOLIDATED BALANCE SHEET

AS AT MARCH 31
($ in thousands)

	2005	2004
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 9,681	$ 9,356
Dividend payable	2,000	2,000
Interest payable on long term bonds	3,132	2,768
Current portion of long term bonds (Note 13)	5,034	4,163
Due to related parties	858	226
	20,705	18,513
Deferred revenue	661	626
Long term bonds (Note 13)	123,373	103,501
Commitments (Note 18)		
Contingencies (Note 21)		
Equity		
Contributed surplus (Note 16)	276,065	276,065
Retained earnings	27,352	23,608
	303,417	299,673
	$ 448,156	$ 422,313

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF INCOME

FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2005	2004
REVENUES		
Sale of power	$ 26,480	$ 28,081
Transmission facility revenue	1,411	784
Interest	727	584
Management fee	583	524
	29,201	29,973
EXPENSES		
Water rentals	4,090	3,531
Amortization of capital assets in service	6,174	5,932
Amortization of power sales right	720	914
Property tax	1,027	960
Operations and maintenance	1,423	1,384
Administration and management	1,791	1,578
Insurance	497	513
Community sponsorship	75	72
Restructuring and development costs (Note 1(g) Note 2(d))	762	19
Loss on disposal of fixed assets	-	58
	16,559	14,961
INCOME FROM OPERATIONS	12,642	15,012
FINANCE CHARGES		
Interest expense	8,106	6,610
Amortization of deferred debt issue costs	254	140
	8,360	6,750
NET INCOME BEFORE CHANNEL REPAIR COSTS	4,282	8,262
CHANNEL REPAIR COSTS	(3,927)	-
RECOVERY OF REPAIR COSTS AND LOSSES (Note 5)	5,389	-
NET INCOME FOR THE YEAR	$ 5,744	$ 8,262

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED MARCH 31

($ in thousands)

		2005	2004
RETAINED EARNINGS - beginning of year		$ 23,608	$ 17,346
Add:	Net income	5,744	8,262
Deduct:	Dividends declared	(2,000)	(2,000)
RETAINED EARNINGS - end of year		$ 27,352	$ 23,608

The accompanying notes are an integral part of the financial statements

COLUMBIA POWER CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31

($ in thousands)

	2005	2004
OPERATING ACTIVITIES:		
Net income for the year	$ 5,744	$ 8,262
Adjustments to reconcile cash flow from operations:		
Amortization of capital assets in service	6,174	5,932
Amortization of deferred debt issue costs	254	140
Amortization of power sales right	720	914
Loss on disposal of fixed assets	-	58
Recoverable channel repair costs and losses (Note 5)	(2,389)	-
Restructuring Costs	591	-
Net change in non-cash working capital balances	1,243	(1,032)
	12,337	14,274
FINANCING ACTIVITIES:		
Issue of Project Bonds	25,000	50,000
Repayment of short term loans	-	(47,254)
Dividends paid	(2,000)	(2,000)
Deferred debt issue costs	(1,488)	(2,237)
Principal repayment of Project Bonds	(4,256)	(1,386)
	17,256	(2,877)
INVESTING ACTIVITIES:		
Repayment from joint venture partner	25,000	52,876
Deferred costs	(38,445)	(37,314)
Additions to Brilliant power facility and terminal station	(2,006)	(11,894)
Additions to ALGS power facility	(1,223)	(1,140)
Purchase of furniture, equipment, vehicles and land	(193)	(112)
	(16,867)	2,416
INCREASE IN CASH AND EQUIVALENTS	12,726	13,813
CASH AND EQUIVALENTS - beginning of year	30,306	16,493
CASH AND EQUIVALENTS - end of year	$ 43,032	$ 30,306
CASH AND EQUIVALENTS CONSIST OF:		
Restricted cash and temporary investments	13,229	9,812
Cash and temporary investments available for operations	29,803	20,494
	$ 43,032	$ 30,306
Supplemental disclosure of cash flow information		
Interest paid	$ 7,741	$ 5,438

The accompanying notes are an integral part of the financial statements

1. Columbia Power Corporation

(a) Structure and Financing

Columbia Power Corporation (CPC) is wholly owned by the Province of British Columbia. As an agent for the Province, CPC is committed to entering into joint ventures to develop hydroelectric power projects as set out in the Agreement signed in 1995 (the Agreement) between the Province and the Columbia Basin Trust (the Trust), also wholly owned by the Province.

The Agreement anticipates that several power projects will be undertaken through joint ventures between CPC and subsidiaries of the Trust (the Venturers). The cost of all projects under consideration is expected to exceed $1 billion. Under the Agreement between the Province and the Trust, the Province committed to make $500 million in capital contributions for the purpose of funding capital costs of power projects, with the remaining capital costs to be financed through joint venture borrowings by CPC and the Trust's subsidiaries.

The Venturers each hold a 50% interest in the joint ventures and direct their activities through Management Committees with an equal number of members appointed by each Venturer. All decisions of the Management Committees require the unanimous approval of their members.

CPC is appointed the Manager of the joint ventures with the authority to manage the day-to-day activities of the joint ventures, subject to the direction of their Management Committees and annual capital and operating budgets approved by the committees. CPC's material transactions and agreements require the approval of the Province's Treasury Board.

(b) Power Project Planning

In 1996, CPC and CBT Power Corp. (CBT Power), a subsidiary of CBT Energy Inc. (CBT Energy), a subsidiary of the Trust, entered into the Power Project Planning Joint Venture (PPPJV) Agreement. Under this Agreement, the parties formed an unincorporated joint venture, primarily for the purpose of assessing and determining the feasibility of power projects pursuant to the Agreement between the Province and the Trust.

The Agreement provides for the Venturers to conduct work on specific power projects up to the date that an existing project is acquired, construction has commenced on a new project, or a project is no longer feasible or is abandoned. Prior to a project's acquisition or commencement of construction, approval must be received from the Directors of both CPC and the Trust. The project must also meet financial viability tests consistent with those of a commercial lender. When a project is acquired, or project construction is commenced, the project is to be transferred to a separate joint venture.

(c) Brilliant Power Facility and Brilliant Terminal Station

Brilliant Power Corporation (BPC) is jointly owned, on a 50/50 basis, by CPC and CBT Power. The Shareholders direct BPC's activities through a Management Committee, with an equal number of members appointed by each Shareholder. All decisions of the Management Committee require the unanimous approval of the members. The purpose of the corporation is to operate the Brilliant Power Facility and Brilliant Terminal Station.

Prior to April 1, 2004, the rights to the use and enjoyment of the Brilliant Power Facility and Brilliant Terminal Station were dedicated to Columbia Basin Power Company, an unincorporated joint venture of CPC and CBT Power. Effective April 1, 2004, all assets of Columbia Basin Power Company, including these rights, were transferred to BPC (formerly known as Brilliant Power Funding Corporation). Comparative financial information is presented as if the current corporate structure existed during prior periods.

(d) Arrow Lakes Generating Station

Arrow Lakes Power Corporation (ALPC) is jointly owned, on a 50/50 basis, by CPC and CBT Arrow Lakes Power Development Corp., (CBT Arrow Lakes), a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the 185 megawatt (MW) Arrow Lakes Generating Station (ALGS) adjacent to the Hugh Keenleyside Dam at Castlegar, British Columbia and a 48 kilometre transmission line from the powerplant to BC Hydro's Selkirk substation.

Prior to July 1, 2003, the rights to the use and enjoyment of the Arrow Lakes Generating Station and transmission line were dedicated to Arrow Lakes Power Company, an unincorporated joint venture of CPC and CBT Arrow Lakes. Effective July 1, 2003, all assets of Arrow Lakes Power Company, including these rights, were transferred to Arrow Lakes Power Corporation (formerly known as Arrow Lakes Power Development Corporation).

(e) Brilliant Expansion

Brilliant Expansion Power Corporation (BEPC) is jointly owned, on a 50/50 basis, by CPC and CBT Brilliant Expansion Power Corporation, a subsidiary of CBT Energy. The purpose of the corporation is to construct and operate the Brilliant Expansion Project, a 120 MW, $205 million power generation development adjacent to the Brilliant Dam at Castlegar, British Columbia.

(f) Significant Agreements

(i) Entitlement Agreements

Under Entitlement Agreements, British Columbia Hydro and Power Authority (BC Hydro), a Crown Corporation of the Province, coordinates the operations of the Brilliant power facility and ALGS, and receives all of the resulting electrical power. In return, BC Hydro provides BPC and ALPC with a fixed amount of capacity and energy from the BC Hydro system.

(ii) Brilliant Power Purchase Agreement

Under the Brilliant Power Purchase Agreement, FortisBC Inc. (FortisBC), a regulated utility operating in British Columbia, will purchase the power under the Brilliant Entitlement. The term of the Agreement is 60 years.

In the first 30 years, the power will be sold on a "take or pay" basis with the price payable by FortisBC composed of an operation and maintenance cost charge and a return on capital charge. In the second 30 years of the contract with FortisBC, there will be an annual market-related price adjustment. Additional revenues are received for power entitlement attributable to the effect of turbine upgrades together with regulated water flows.

(iii) Brilliant Power Purchase Second Amendment Agreement

FortisBC purchases the Brilliant power facility entitlement attributable to the effect of turbine upgrades together with regulated water flows at a price equal to the greater of $26 per megawatt-hour and FortisBC's cost of purchasing power from BC Hydro.

(iv) Facilities Interconnection and Investment Agreement (FIIA)

FortisBC operates and manages the Brilliant Terminal Station on behalf of BPC. A Management Committee with an equal number of members from BPC and FortisBC must unanimously approve all expenditures. Brilliant Terminal Station operating and capital costs are recovered from FortisBC through operations and maintenance and return on capital charges as described in Note 1(f)(ii). The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

(v) Powerex Backstop Agreement

This agreement with Powerex Corp. (Powerex), a subsidiary of BC Hydro, provides for Powerex to purchase the Brilliant entitlement, excluding the portion attributable to the regulated flows through the upgraded turbines, if BPC terminates the Brilliant Power Purchase Agreement by reason of default by FortisBC.

(vi) Management Agreements

BPC

FortisBC operates and manages the Brilliant Power Facility on behalf of BPC. The management fee and other amounts payable under the Agreement form part of the operation and maintenance cost component described under Note 1(f)(ii).

The Brilliant Management Agreement provides for a Management Committee with an equal number of members from BPC and FortisBC who must unanimously approve all expenditures. The term of the Agreement is coincident with the term of the Brilliant Power Purchase Agreement.

ALPC

Under a Management Agreement, Fortis Pacific Holdings Inc. (Fortis Pacific - the unregulated parent company of FortisBC) operates and manages ALGS on behalf of ALPC.

(vii) Design-Build Contract - ALGS

In 1998, ALPC entered into a turn-key, design-build contract for approximately $210 million with Peter Kiewit Sons Co. Ltd. (PKS) for the construction of ALGS. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees.

(viii) Design-Build Contract - Brilliant Expansion

In 2003, BEPC entered into a turn-key, design-build contract for approximately $167 million with Brilliant Expansion Consortium for the construction of the Brilliant Expansion. Under the contract, the powerplant is scheduled to achieve commercial operations by August 2006. Terms of the contract include performance guarantees and significant liquidated damages for failure to achieve performance guarantees; a contractor bonus for early completion; a milestone schedule and a schedule of payments to the contractor.

(ix) Power Sales Right

In 1997, the Venturers acquired the right and obligation to provide up to 86 average megawatts to BC Hydro during the period January 2003 to December 2014. ALPC uses the Arrow Lakes entitlement to meet its obligations under the contract.

(x) Green Power Generation Electricity Purchase Agreement (GPG EPA)

In 2003, BEPC entered into the GPG EPA with BC Hydro obtaining the right and obligation to provide 23.12 average annual megawatts from the Brilliant Expansion to BC Hydro for a 20 year period starting August 2006.

(g) Columbia Basin Initiative Restructuring

The Columbia Basin Initiative resulted from the signing of the Columbia Basin Accord in 1995. Pursuant to this accord, the Province committed to contribute $500 million over 10 years to be used as equity funding in power project investments that would be made on a joint venture basis between CPC and Columbia Basin Trust (CBT), both 100% provincially owned Crown corporations.

In 2001, the Province signed an option agreement granting CBT Energy Inc., a subsidiary of CBT, the right to acquire 100% of the outstanding shares of CPC at a price equal to the greater of CPC's equity book value and market value. The option expires July 31, 2005.

In January 2004, the Minister of Energy and Mines announced changes to be made to the Columbia Basin Initiative. The Minister's direction to CBT and CPC included the Province's intention to transfer the shares of CPC to CBT, and to amalgamate CPC and all CBT subsidiaries into a single power company with a separate expert Board of Directors.

(g) Columbia Basin Initiative Restructuring (continued)

This restructuring initiative was subsequently discontinued after CBT approached the provincial government in the fall of 2004 regarding the potential sale of its interest in the joint power projects to BC Hydro. The Province determined it would also sell CPC's interest in the power projects, subject to due diligence and acceptable terms, and asked BC Hydro to examine the proposal. On September 30, 2004 the BC Hydro Board of Directors approved in principle the proposal to acquire the interest in the Columbia Basin power projects owned jointly by CPC and CBT, and undertook a due diligence review of those facilities. On November 23, 2004 BC Hydro suspended its due diligence when CBT announced, following its process of public consultation, that it would not proceed with the sale.

On January 26, 2005 the Minister of Energy and Mines instructed CBT and CPC that the existing structure, which retains a separate CPC and CBT, would be continued. This direction allows both organizations to focus on their respective mandates, which remain unchanged. CPC will continue as Manager responsible for the development, construction and operation of power projects. CBT will continue to invest and deliver economic, social and environmental benefits to Columbia Basin residents. CPC recorded a $762,000 expense in 2004/05 relating to its 50% share of Columbia Basin Initiative Restructuring costs incurred in current and prior periods.

2. Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) Consolidated Financial Statements

These consolidated financial statements and notes include CPC's operations and interests in PPPJV, BPC, BEPC and ALPC. The joint ventures are consolidated using the proportionate consolidation method, whereby CPC's accounts are combined on a line by line basis with its proportionate share (in this case 50%) of the joint ventures' assets, liabilities, revenues, expenses and cash flows. Intercompany balances and transactions between CPC and the joint ventures have been eliminated.

(b) Temporary Investments

Temporary investments are recorded at the lower of cost and market value.

(c) Capitalization and Amortization

Capital assets are recorded at cost and are amortized annually at rates calculated to expense the cost of assets over their estimated useful lives. Amortization begins when assets are placed into service. The corporation includes, as part of the costs of its fixed assets, interest charges incurred during construction.

(i) Brilliant Power Facility and Brilliant Terminal Station

The Brilliant Power Facility, excluding sustaining capital and upgrade expenditures, is recorded at cost and is amortized on a straight-line basis over 60 years consistent with the 60 year term of the Brilliant Power Purchase Agreement and the revenues provided under that agreement. Sustaining capital additions to the Brilliant Power Facility and the Brilliant Terminal Station are recorded at cost and amortized on a straight-line basis over 30 years consistent with the 30 year sustaining capital expenditure recovery provided by the Brilliant Power Purchase Agreement and the Facilities Interconnection and Investment Agreement. Capital expenditures for upgrades are amortized on a straight-line basis over the remaining term of the 60 year Brilliant Power Purchase Agreement, which provides for the recovery of upgrade capital expenditures over the same period.

(ii) Arrow Lakes Generating Station

Capital assets are recorded at cost and depreciated over their expected useful lives. The expected useful lives, in years, are:

Powerplant	11 - 77
Transmission	33 -100

(iii) CPC Offices and Equipment

Computer systems	-	straight line over 3 years
Office furniture and equipment	-	straight line over 5 years
Leasehold improvements	-	straight line over 5 years
Vehicles	-	straight line over 8 years

(d) Deferral of Power Project Costs

Costs incurred in determining the feasibility of acquiring power projects or undertaking preliminary development work on power projects and construction expenditures are deferred. Deferred power project costs include all costs attributable to a project as well as capitalized interest and taxes.

When a project is acquired or construction commences, the related deferred costs of that project form part of its capital cost. When a project is abandoned, the costs deferred for that project are expensed. When a project's costs exceed those likely to be recovered, the excess is expensed.

(e) Deferred Debt Issue Costs

Expenditures incurred in issuing the Series A, B and C Brilliant Project Bonds and Series A Arrow Lakes Project Bonds are deferred and amortized on a straight-line basis over the term of the bonds.

(f) Revenue Recognition

FortisBC is the purchaser of all power received under the Brilliant Entitlement and has the right to the shared use of the Brilliant terminal station. Revenues are recognized when operating and maintenance costs are incurred and as the return on capital is earned in accordance with the Brilliant Power Purchase Agreement (Note 1(f)(ii)) and FIIA (Note 1(f)(iv)). Regulated upgrade revenues are recognized when entitlements are delivered.

(g) Asset Retirement Obligations

Canadian generally accepted accounting principles require CPC to determine the fair value of the future expenditures required to settle legal obligations to remove capital assets on retirement. If a reasonable estimate can be determined, a liability is recognized equal to the present value of the estimated future removal costs, and an equivalent amount is capitalized as an inherent cost of the associated capital asset.

Some of CPC's assets may have asset retirement obligations. As CPC expects to use the majority of its assets for an indefinite period, no removal date can be determined and, consequently, an estimate of the fair value of any asset retirement obligation has not been made at this time.

(h) Taxes

CPC is exempt from corporate income taxes and federal large corporations tax.

(i) Foreign Currency Translation

Foreign currency denominated revenues and expenses are translated into Canadian dollars at the rate of exchange in effect at the transaction date. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date.

(j) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

3. Cash and Temporary Investments

BPC and ALPC must apply the payments they receive from the sales of power as set out under agreements with the Project Bondholders.

Under its agreements with Bondholders, BPC has established a debt service reserve fund in which it maintains cash or cash equivalents equal to one semi-annual payment on the Series A, B and C Brilliant Project Bonds. BPC also maintains an operating reserve account in an amount equal to one-quarter of annual operating expenses.

3. Cash and Temporary Investments (continued)

A US$7.5 million money market fund is held by ALPC to offset a US dollar current liability. A Canadian dollar bank account is held for future payment of its commitment for fish entrainment compensation as per Note 18(b).

BEPC cash includes construction trust and letter of credit accounts. The construction trust account is a holding account for scheduled payments to the design-build contractor. The letter of credit account secures a letter of credit issued to BC Hydro for development security under the GPG EPA.

($ in thousands)	2005	2004
Restricted		
Debt service reserve fund		
Canadian dollar bank account	$ 3,922	$ 2,913
Operating reserve account		
Canadian dollar bank account	1,050	
Short term bank note		986
Project construction commitments		
US dollar money market fund	4,705	4,988
Canadian dollar bank accounts	3,552	925
	13,229	9,812
Available for operations		
Canadian dollar money market fund	26,618	17,946
Canadian dollar bank accounts	3,185	2,034
Short term bank note	-	514
	29,803	20,494
	$43,032	$30,306

4. Inventories

Land inventory was purchased as a result of transmission Right of Way (ROW) acquisition. Spare parts were acquired as specific items under the design-build contract with PKS.

The value of land held for resale is based on the lower of cost and net realizable value. Any gains or losses upon sale of land inventory will reduce or increase the net cost of the ROW. Spare parts are recorded at cost.

($ in thousands)	2005	2004
Land	$ 228	$ 228
Spare parts	792	815
	$1,020	$1,043

5. Recoverable Channel Repair Costs and Losses

On May 3, 2004, ALPC discovered damage caused by unstable hydraulic conditions to the concrete lining of the ALGS approach channel. Power generation was suspended while investigations took place and repairs were made to the channel. Repairs are being undertaken in three stages, namely:

(i) immediate temporary repair to stop the ingress of water into the channel underdrainage system;
(ii) intermediate repairs as required to enable the safe resumption of power generation until long-term repairs that may be required to ensure the integrity of the approach channel are undertaken, all subject to the approval of the Comptroller of Water Rights and BC Hydro; and
(iii) additional, long-term repairs as required to ensure the integrity of the approach channel, which would require a further suspension of generation.

The first two stages of repair, which involved placing a high-density polyethelene liner over the damaged area and then covering the liner with a layer of concrete, have been completed, and production of power was resumed in August 2004. Studies are being undertaken to determine what further repairs are needed for long-term operation. It is expected that permanent repairs will be carried out starting in early 2006.

ALPC is taking all necessary steps, including pursuing its remedies under the design-build contract and its insurance policies, to recover its losses, and is preserving its available sources of working capital to ensure that its obligations to creditors and regulators will be satisfied and that funds are in place as needed to carry out permanent repairs to the channel. Accordingly, ALPC payment of dividends to CPC and the Trust was suspended during 2004/05.

CPC's 50% share of the total cost of the channel damage during the year included $3.9 million in repairs and $3.4 million in lost revenue from power generation. CPC's 50% share of advances from its property insurer toward the settlement of its insurance claim total $3 million, and CPC has recorded in its financial statements an expected further recovery of $2.4 million from its insurer. The $5.4 million recovery of repair costs and losses does not include potential recovery from other sources and future reduced water rental expense. The final financial impact of the channel damage cannot be determined with certainty at this time.

6. Capital Assets

($ in thousands)	Cost	Accumulated Amortization	NBV 2005	NBV 2004
Brilliant power facility	$103,281	$13,594	$ 89,687	$ 91,500
Brilliant terminal station	12,657	636	12,021	10,905
Brilliant lands	2,385	-	2,385	2,359
ALPC power facility	131,288	8,651	122,637	124,633
ALPC transmission	10,745	784	9,961	10,235
ALPC lands	3,607	-	3,607	3,592
Computer systems	317	195	122	110
Furniture and equipment	289	200	89	85
Leasehold improvements	455	393	62	130
Vehicles	157	39	118	98
	$265,181	$24,492	$240,689	$243,647

7. Due From Joint Venture Partner

(a) Non-Interest Bearing Advance

Under the terms of the Joint Venture Agreements (Note 1), CPC has made interest free advances to fund the Trust's share of joint venture cash contributions. Such advances are secured by the Trust's commitment to use its future power project contributions from the Province to repay any advances owed to CPC from the Trust. Further, the Trust pledges its interest in joint venture assets to CPC while advances are owed by it to CPC.

(b) Interest Bearing Advance

During the year, CPC made further interest bearing advances to the Trust for power project capital spending from its retained earnings. Interest at an average rate of 2.0% (2004 - 2.4%) was charged, based on CPC's investment opportunity cost. These advances were fully repaid before year end from equity received by the Trust from the Province and from the issuance of long term bonds.

8. Hydroelectric Power Expansion Rights

Hydroelectric power expansion rights are recorded at cost and include options to acquire lands near the Waneta and Brilliant dams at no additional cost and the right to develop and operate new hydroelectric facilities on these lands. The fair value of these rights may differ from cost. A fair value is not readily determinable due to the unique nature of the expansion rights.

9. Deferred Costs

Deferred costs are comprised of deferred development costs and construction-in-progress. Deferred costs are carried on the balance sheet based on management's judgment of anticipated future events. A number of significant estimates and qualitative factors are considered by management in determining the reported amounts of deferred project costs. Costs of the construction contract are recorded according to the schedule of payments under the contract as this schedule is intended to reflect the progress of various activities of the work and the general values assigned to those activities.

(a) Deferred Costs Comprise the Following:

($ in thousands)	Deferred Costs at March 31, 2004	2004/05 Additions	Deferred Costs at March 31, 2005
Development costs Waneta Expansion (WAX)	$ 3,003	$ 1,386	$ 4,389
Development costs Brilliant Expansion (BRX)	6,376	-	6,376
Construction-in-progress BRX	41,547	36,673	78,220
	$50,926	$38,059	$88,985

(b) Deferred Costs by Expenditure Category

($ in thousands)

	Project Design & Construction	Environmental Assessment	Socio-economic Assessment	Finance/ Legal Analysis	CPC/CBT Management	March 31, 2005
WAX	$ 863	$1,269	$109	$ 322	$1,826	$ 4,389
BRX	76,222	1,774	377	1,528	4,695	84,596
	$77,085	$3,043	$486	$1,850	$6,521	$88,985

10. Power Sales Right

The power sales right is recorded at cost. Amortization is recorded on the basis of power sold to BC Hydro over the year compared to the total power sales under the agreement. The fair value of the power sales right may differ from its cost. A fair value is not readily determinable due to the unique nature and the extended term of the power sales right.

11. Deferred Debt Issue Costs

Debt issue costs incurred by BPC and ALPC in issuing long term debt.

($ in thousands)	2005	2004
Deferred debt issue costs	$4,465	$2,978
Accumulated amortization	(529)	(276)
	$3,936	$2,702

12. Pension Plans

CPC and its employees contribute to the Public Service Pension Plan in accordance with the Public Sector Pension Plan Act. The plan is a multi-employer defined benefit pension plan and is reported separately to the Province.

Employees of CPC are eligible for the same post retirement healthcare benefits as other members of the Public Service Pension Plan. No provision, other than CPC's required employer pension contributions, has been made in the accounts of CPC for this liability.

CPC maintains an executive pension benefit plan (EPBP). Under the EPBP, CPC contributes each year to a trustee, in advance, an irrevocable and renewable letter of credit in an amount necessary to provide the EPBP benefits accruing and any unfunded liability. Employee contributions are not required under the EPBP.

An actuarial valuation of the EPBP was performed by McFarlane Amerlee Consulting Limited Actuaries & Pension and Benefit Consultants, at October 27, 2004. Based on this valuation, a pension liability estimated to be $208,000 at March 31, 2005 (2004 - $182,000) is included in accrued liabilities.

13. Long Term Bonds

The Series A, B and C Brilliant Project Bonds are secured on a limited recourse basis by charges against the Brilliant power facility including related material contracts, licences, permits, approvals, authorizations and insurance coverages.

The Bonds are redeemable by BPC in whole or in part at any time before May 31, 2026 at a price equal to the greater of the principal amount then outstanding, and a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.30%.

The Series A Arrow Lakes Project Bonds issued on August 28, 2003 are secured on a limited recourse basis by charges against the ALGS Facility and Transmission assets including related material contracts, licences, permits, approvals, authorizations and insurance coverages.

The Bonds are redeemable by ALPC in whole or in part at any time before March 31, 2015 at a price equal to the greater of the principal amount then outstanding, and a price calculated to provide a yield to maturity based on the current yield of a matching duration Government of Canada bond plus 0.23%.

13. Long Term Bonds (continued)

($ in thousands)			CPC's Portion of Principal Outstanding	
Series	**Interest rate**	**Maturity date**	**2005**	**2004**
BPC A	8.93%	May 31, 2026	$ 43,950	$ 44,613
BPC B	6.86%	May 31, 2026	13,312	13,579
BPC C	5.67%	May 31, 2026	24,906	-
ALPC A	5.39%	March 31, 2015	46,239	49,472
			128,407	107,664
	Current portion		(5,034)	(4,163)
			$123,373	$103,501

Principal repayments next five years:

2006	$ 5,034
2007	5,341
2008	5,668
2009	6,017
2010	6,387
Subsequent years	99,960
	$128,407

14. Credit Facility

In accordance with its agreements with Bondholders, BPC has secured a $10 million credit facility with the Canadian Imperial Bank of Commerce, which would rank equally with the Series A, B and C Bonds. The facility was deactivated on April 1, 2005. Subject to an annual credit review the facility continues to be available.

15. Share Capital

Authorized:

100,000,000 common shares, no par value

Issued:

6 common shares	$6

16. Contributed Surplus

Contributed surplus represents the contributions made by the Province to permit CPC to purchase hydroelectric power expansion rights and to fund power project costs.

17. Financial Instruments

CPC's financial instruments consist of cash and temporary investments, accounts receivable and unbilled revenue, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that CPC is not exposed to significant interest, currency or credit risks arising from these financial instruments.

18. Commitments

(a) Plant Operations

Under its agreements with Bondholders, BPC and ALPC have committed to keep the Brilliant power facility, Brilliant terminal station and the ALGS in good operating condition and to effect all necessary repairs and replacements according to the requirements of good industry practice.

(b) ALPC Fish Entrainment Compensation

ALPC has made a commitment to contribute $175,000 annually, adjusted for inflation, to compensate for fish entrainment for as long as fish are entrained in ALGS. This funding will initially be used for fertilizing fish stocks in the Upper and Lower Arrow reservoirs.

(c) BEPC Contractor Bonus

The construction contract includes a bonus for early completion. The contractor will be entitled to receive a daily bonus amount to September 7, 2006 if marketable power is produced before that date.

(d) Facilities Long Term Lease Commitment

CPC has entered into operating leases for office premises that provide for minimum annual lease payments totaling up to $185,000 per year for the next five years.

19. Related Party Transactions

These consolidated financial statements include amounts payable to BC Hydro, the Trust and minor amounts due from, due to and transactions with related parties. Other than the Trust, which charges the joint ventures on a cost recovery basis, all related party transactions are at market rates.

20. Subsequent Events

(a) Non-Interest Bearing Advance Repayment

In April 2005, the Province transferred $50 million to the Trust's segregated trust account. In accordance with the Agreement between the Province and the Trust, the funds were transferred to CPC as repayment of the non-interest bearing advance. The funds were immediately used by CPC to fund joint venture power project capital spending.

21. Contingencies

(a) Power Projects

CPC's operating and development power project activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations as well as to maintain all material franchises. Under current regulations, the Venturers are required to meet performance standards to minimize or mitigate negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

(b) Arrow Lakes Power Corporation

Under the Design-Build Contract at Final Acceptance, all deficiencies of the ALGS must be completed by the construction contractor or liquidated damages will be owed by the contractor to ALPC.

(c) Brilliant Expansion Power Corporation

BEPC has tentatively reached a negotiated settlement with the construction contractor in regards to a claim for costs incurred for construction of the tailrace berm. This settlement allowed the target date for operations under the design-build contract to change from August 7, 2006 to September 7, 2006 and may result in a payment to the contractor of as much as $2 million depending upon the date that commercial operation begins. This amount can be accommodated within contingencies established for this project.

(d) Insurance Proceeds

CPC is in the process of establishing the amount to be recovered from its insurer in respect to damage to the ALGS approach channel. Management used its best estimate to determine the proceeds. However, if the proceeds are greater or less than the estimate, this difference will be recognized in future years.

22. Comparative Figures

Certain 2004 figures have been reclassified to conform with the current year's presentation.

Board of Directors

Lee Doney
Chair

Jane Fleming

Art Willms

Lorne Sivertson
President

Ed Pietraszek
Corporate Secretary/Treasurer

Officers

Lorne Sivertson
President

Victor Jmaeff
Vice President, Power Supply and Marketing

Bill Freeman
Vice President, Planning and Development

Giulio Ambrosone
Vice President, Engineering and Construction

Bruce Duncan
Vice President, Strategic Planning and Regulatory Affairs

Ed Pietraszek
Corporate Secretary/Treasurer

Wally Penner
Executive Director, Community and Regional Affairs

Randall Smith
Comptroller

Corporate Governance

Columbia Power Corporation is a Crown corporation existing under the British Columbia Business Corporations Act. It is owned and controlled by the Province and is an agent of the Province. Under the terms of its agency agreement, Columbia Power Corporation must obtain the approval of the Province's Treasury Board for all budgets and material decisions. Its directors are appointed annually by the Province. All employees are bound by the Columbia Power Corporation Standards of Conduct.

As a government corporation under the British Columbia Financial Administration Act, Columbia Power Corporation is required to maintain its accounts in a manner acceptable to the Minister of Finance. The Auditor General of British Columbia is the auditor for the corporation.

The power project investments of Columbia Power Corporation and the Columbia Basin Trust are guided by the principle, as stated in the Financial Agreement between the Province and the Columbia Basin Trust, that the joint venture management committee formed for a power project will only authorize the commencement of the power project if such commencement is approved by the respective boards of directors of Columbia Power Corporation and the Columbia Basin Trust and such power project would meet conditions precedent as would be set by a reasonable lender for the financing of such power project, including conditions in respect of debt servicing, return on equity, permits, construction agreements, contracts for the sale or distribution of electricity and similar matters.

All operating and capital budgets for a joint venture power project require the unanimous approval of the joint venture's management committee. Such committees consist of three members appointed by Columbia Power Corporation and three members appointed by the Columbia Basin Trust.

Between February and April 2005, the Province appointed three additional directors to the Board of Columbia Power Corporation, bringing the total number of directors to five. The new directors, one of whom was appointed as Chair, bring to the Board considerable experience as directors and officers in the public and private sector. One of the first tasks for the expanded board will be to determine the appropriate committee structure for the board, based on best practice corporate governance guidelines.

COLUMBIA POWER CORPORATION

Additional copies of this Annual Report are available from the addresses below:

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